

**Army Transformation in the Age of Globalization –
Implementing Directed Change with Strategic
Management Design (SMD)
An Analysis based on the Army Staff in the
German Ministry of Defense**

**A Monograph
By
Lieutenant Colonel Christof Schaefer
German Army**



**School of Advanced Military Studies
United States Army Command and General Staff College
Fort Leavenworth, Kansas**

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Lieutenant Colonel (GS) Christof Schaefer

Army Transformation in the Age of Globalization – Implementing Directed
Change with Strategic Management Design (SMD)

An Analysis based on the Army Staff in the German Ministry of Defense.

Approved by:

Jacob W. Kipp, Ph.D. Monograph Director

Stefan Banach, COL, IN Director,
School of Advanced
Military Studies

Robert F. Baumann, Ph.D. Director,
Graduate Degree
Programs

Abstract

PREPARING A SAMS MONOGRAPH by LTC (GS) Christof Schaefer, SVC, 96 pages.

German Army Transformation will face a critical period after the structural “New Army” reform in 2010. Political and military directives charter the Army to adopt and create capabilities for mission success in the contemporary and future security-politico and operational environment. This requires continuum in Army transformational processes for perpetual, internally driven change. The purpose of the paper is to present an improved decision process that can provide the German Army staff two mandatory transformational capabilities, to “shape and anticipate” proactively” and to “learn and adapt” effectively. Moreover, an improved decision process can rally mutual commitment among politicians, military leaders, and the nation’s citizens for German Army long-term excellence.

Based on proven commercial processes and German, and U.S. strategic military guidance, this paper analyses the macro- and micro organizational peculiarities and opportunities of the German Army. Best practices and key principles from profit-oriented civilian management tools merge with tenets of complexity theory and the systems thinking school of thought.

Today’s reality assesses the German security-political environment that determines German Armed Forces Transformation and comparatively evaluates the effects that globalization poses on the corporate enterprise of the German Army. Research indicates that aspects of modern and postmodern change theory, concepts of a learning organization, and elements of Integrated Emerging Strategic Design (IESD), can produce an effective and efficient Army mission-oriented readiness model for German Army Transformation – the Strategic Management Design (SMD).

More than a mere internal management device, the Strategic Management Design (SMD) model embraces the “*idealtypik*” of Germany’s political, ministerial, economical, and social culture and the significant challenge of building comprehensive consensus for German Army Transformation. Complex conditions and uncertainty will continue to be the norm. The Strategic Management Design (SMD) model provides ways and means for the German Army staff to propel its vision toward Army mission readiness in the contemporary operational environment and foreseeable future of German national, regional, and global responsibilities.

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Introduction

The ultimate and largely ignored task of management is one of creating and breaking paradigms.¹

Victory smiles upon those who anticipate the changes in the character of war, not upon those who wait to adapt themselves after the changes occur.²

Background and Problem

This monograph is about transformation. The prime issue is whether modern tools for the management of business enterprises are useful to make the military a learning organization. The organizational condition for analyzing this question is the Army (*Heer*) staff in the German Federal Ministry of Defense (FMoD).³

In their book “The 500 Year Delta” published in the late 1990, the post-modern futurists and business consultants Jim Taylor and Watts Wacker foretold the world’s shift from the age of reason into the age of chaos.⁴ They proclaimed that accelerating change determines the new age. This shift affects all areas of life with unmanageable unpredictability and irrationality that will lead finally to the fragmentation of political, economic, and social organizations. Today, more than one and a half decade later, some tendencies seem to support the authors’ gloomy outlook. The polarizing effects of globalization result in fierce competition among economic players. In the political sector, the new age effects tend to make the democratic communities wealthier and

¹ Richard Pascale, *Managing on the Edge*, (New York: Penguin Book Press), 1991.

² Giulio Douhet, *The Command of the Air*, trans. Dino Ferrari, Washington, D.C.: Office of the AirForce, 1983, 30, cited by essays published 1921 and 1929, Mosier, John, *The Blitzkrieg Myth*, (New York: Harper Collins Publishers, 2002), 19.

³ The *Heer* is the largest of the five services (Army, Air Force, Navy, Joint Medical Service, Joint Support Service) of the German armed forces (*Bundeswehr*). See also appendices 1 and 2.

⁴ Jim Taylor and Watts Wacker, *The 500 Year Delta*, (Oxford: Collins, 1997), xiv. Postmodernism is a phase in organization theory that began in the 1990s. Its predecessors were the classical (1900+), the modern (1950+), and the symbolic-interpretative (1980+) phase. Different approaches to strategic management stem from these phases. Mary Jo Hatch, *Organization Theory*, (Oxford: University Press, 1997), 5, 109, 113, 115.

peaceful but they can also drive other communities into chaos at a moment's notice. Political structures could collapse, and create Thirty Years War-like sectarian conflicts.⁵

In distinction from these suffocating predictions, the assumption of this paper is that “instability with order”, that is, an “edge of chaos” system midway between stable and chaotic domains is more the norm than pure chaos.⁶ The feature of such a system is its potential to develop structure over many different scales (e.g. nation states, alliances, organizations, or departments) by affecting various group members differently. Complex systems whose parts have some freedom to behave independently are “edge of chaos” systems. Complexity is not new. This environmental uncertainty is decried by Clausewitz in the context of war as “*Friktion*” (friction) or the unpredictability of events and plans.⁷ Although hard to predict, complex environments do have a good deal of structure that permits improvement through thoughtful intervention.⁸ This fact justifies analysis of future-directed activity in organizations and bureaucracies, and thus the compelling need to present an improved model of integrated strategic leadership. How would thoughtful intervention look? For organizations, whatever form or provenance – this includes

⁵ Hans Binnendijk and Richard L. Kugler, “Managing Change: Capability, Adaptability and Transformation”, *Defense Horizons*, June 2001 (<http://handle.dtic.mil/100.2/ADA422400>) (accessed 22 September 2007). Globalization in the context of this paper is the phenomenon of internationalization of markets and corporations to ensure economies of scale in order to achieve low costs, and low prices as a precondition to survive among fierce competitors. Besides the economic dimension, the major driver and political dimension are the decentralization of power between the U.S., Europe and Asia, and pan-national conflicts (globalization of politics and “Lebanonization” of the world). Technology drives globalization. Jonny K. Johansson and George S. Yip, “Exploiting Globalization Potential: U.S. and Japanese Strategies”, *Strategic Management Journal*, Vol. 15, 1994, 579-601, 596. Richard K. Betts, *Conflict after the Cold War*, (New York: Pearson Education, 2001), 510.

⁶ Chaos is a state of unpredictable disorder. While a stable system is characterized by short transient length (e.g. re-construction period) between a perturbation (e.g. earthquake) and the system's return to the initial state (end of re-construction), chaotic systems feature infinite transient times and non-return to the initial state (e.g. air molecules collide with each other continually, never settling down and never returning to exactly the same state). Chris Lucas, “Perturbation and Transients – The Edge of Chaos”, <http://www.calresco.org/perturb.htm> (accessed 23 January 2008).

⁷ Carl von Clausewitz, *Vom Kriege*. (Hinterlassenes Werk, Nachdruck), (Bonn: Dümmler Verlag, 1989), 261-264. Mintzberg asks the question, Why it is always our own age that is so turbulent? He criticizes the turbulence (and hence chaos-) discussion in the 1980s and 1990s. Henry Mintzberg, *The Rise and Fall of Strategic Planning*, (New York: The Free Press, 1994), 203.

⁸ Robert Axelrod and Michael Cohen, *Harnessing Complexity*, (New York: Basic, 2000), xv.

armed forces in general and the *Bundeswehr* in particular – the future challenge is not limited to constantly adapting internal processes and behavior of the environment to survive the globalized competition. Leaders must have the impetus to operationalize emerging conditions proactively and precisely, and to focus successful, internally-driven change.⁹ This means that organizations must be able to change themselves. They must be able to learn. Moreover, ongoing rapid technological progress indicates increasing reaction times in rapidly decreasing intervals. This momentum is a particularly complex challenge to the *Bundeswehr* and future interoperability with its allies.¹⁰ Therefore, flexibility and innovation will be the key factors for future success. This requires new managerial processes, “thinking out of the box”, and action-oriented leadership.¹¹ Private corporations were the first organizations to benefit from the strategic management concept because it provided a knowledge base for understanding challenges and identifying courses of action in an uncertain environment¹². Although critical dialogue continues in

⁹ Helmut Maneval, “Überlegungen zum Wandel in der Wirtschaft und beim Militär aus ökonomischer Sicht”, Institut für Volkswirtschaftslehre Universität der Bundeswehr München (ed.), *Diskussionsbeitrag Nr. 2*, Neubiberg 1994. See also the 17 dimensions of strategy in Collin S. Gray, *Strategy for Chaos*, (London: Frank Cass Publishers, 2002), 123-127. Jochen Strassmann and Achim Schueller, “Ansätze zur Erforschung von Non-Profit Organizations”, Peter Eichhorn (ed.), *Zeitschrift für öffentliche und gemeinwirtschaftliche Unternehmen*, Band 12, 1989, 201-215, 202. Alvin and Heidi Toffler, *War and Anti-War*, (Boston: Little, Brown, and Company, 1993), 248.

¹⁰ Keith D. Denton, “Creating a System for Continuous Improvement”, *Business Horizons*, January-February 1995, 16-20, 18. C. Gombert and David Nerlich, “Shoulder to Shoulder. The Road to U.S.-European Cooperability”, Center for Euro-Atlantic Military Analysis (CEAMA), (Santa Monica: Rand, 2002), vii, xiii, 48.

¹¹ Arno Fehrlage, “Potentiale nutzen – durch ganzheitliches Management”, *IO Management Zeitschrift*, Vol. 60, No. 6, 1991, 45-48, 48. Tadahiko Kawai, “Generating Innovation Through Strategic Action Programs”, *Long Range Planning*, Vol. 25, No. 3, 36-42, 36. An U.S. example: President George Bush addressed in a speech in Annapolis on 25 May 2001 his vision of a military that rewards imaginative thinking. He spoke of a “renewed spirit of innovation in our officer corps” and the “old bureaucratic mind-set that frustrates the creativity and entrepreneurship that a 21st century military will need”. Don M. Snider and Lloyd J. Matthews, *The Future of the Army Profession*, 2nd ed., (Boston: Custom Publishing, 2005), 73.

¹² Henry Mintzberg, “Rethinking Strategic Planning, Part II: New Roles for Planners”, *Long Range Planning*, Vol. 27, No. 3, June 1994, 12-21, 29. Tony Grundy and Dave King, “Using Strategic Planning to drive Strategic Change”, *Long Range Planning*, Vol. 25, No. 1, February 1992, 100.

literature¹³, the concept's suitability as a means for problem solving is generally recognized in business practice.¹⁴ However, consideration of respective environmental and organizational peculiarities varies, and many professionals discount public service organizations.¹⁵

In the *Bundeswehr*, no integrative management program exists. This includes the Army even though a "balanced scorecard"-based metric system is available. Of note, the *Bundeswehr* has started to implement the **Standardized Applications Software Product Family (SASPF)** to manage progress.¹⁶ The pressure for change links directly to the *Bundeswehr's* "security output" in international operations. The number of operations increased significantly in the last decade. At the same time, stagnating financial budgets have led to fierce competition for scarce financial resources among the governmental departments and between the services of the armed forces.

In response to those circumstances, the German Chief of Defense (CHOD) decided upon a German path of *Transformation* (transformation) that is an anticipatory and evolutionary

¹³ Henry Mintzberg, "Rethinking Strategic Planning, Part I: Pitfalls and Fallacies", *Long Range Planning*, Vol. 27, No. 3, 1994, 12-21. Idem, "Part II: New Roles for Planners", *Ibid*, 22- 30. Igor H. Ansoff, "Comment on Henry Mintzberg's Rethinking Strategic Planning", *Ibid*, 31-32. Bruce Lloyd, "Interview: Mintzberg on the Rise and Fall of Strategic Planning", *Long Range Planning*, Vol. 25, No. 4, 1992, 99-104. Werner Neus and Peter Nippel, "Was ist strategisch an strategischem Verhalten? Überlegungen und Präzisierung eines inflationär benutzten Begriffs am Beispiel von Investitionsentscheidungen", *Schmalenbachs Zeitschrift für betriebswirtschaftliche Forschung*, Vol. 48, No. 5, 1996, 423-441.

¹⁴ Jacques Manardo, "Managing the successful Multinational of the 21st Century: Impact of Global Competition", *European Management Journal*, Vol. 9, No. 2, June 1991, 121-126.

¹⁵ Mintzberg, *The Rise and Fall of Strategic Planning*. 1994, l.c. 324. Jochen Strassmann and Achim Schueller, "Ansätze zur Erforschung von "Nonprofit-Organizations", *ZöGU*, Band 12, Booklet 2, 1989, 201-215, 201. Walter Groth, "Streitkräfte als Wirtschaftsbetrieb", Oswald Hahn (ed.), *Der Soldat als Ökonom*, (Regensburg: Walhalla und Praetoria, 1989), 59-68, 60.

¹⁶ Proposed by Kaplan and Norton in the 1990ies, the balanced scorecard (BSC) approach aims at measuring financial and non-financial factors and emphasizes the evaluation of the organization's abilities to learn from experience: "What you inspect is what you get." The BSC combines the financial aspects that express the results of actions taken with the organization's internal processes, its innovations, and improvement activities that drive future financial performance. R. S. Kaplan and D. P. Norton, "Using the Balanced Scorecard as a Strategic Management System", *Harvard Business Review*, January-February 1996, 75-85. See also Subsection 4. SASPF serves to improve the business realm of the *Bundeswehr*. Bundeswehr, Streitkräfteamt, Abteilung III. Studie *Change Management im Zusammenhang mit der SASPF-Einführung*, Bonn, 2001.

process of change.¹⁷ Appendix 1 depicts how the German Army will follow this path. Thus, the recently started structural reform “*Neues Heer*” (New Army), and the publication of the German Strategic Future Analysis 2035 provide the contemporary background of this paper.¹⁸ The paper’s reference to U.S. matters is the discussion of self-synchronized change of the U.S. Army. The adaptation of business practices to enable transformation redesign of army organizations and business processes is a topic of the transformation roadmap.¹⁹

This paper will answer the question, “Can the concept of strategic management, given its usefulness for the Army as a non-profit governmental/ bureaucratic organization, combined with a systems thinking approach to master complexity, facilitate shaping the German Army into an adaptive, learning organization, as the prerequisite for long-term *Transformation* success?”

The author’s hypothesis is that the position of the German Army for further, directed change will be excellent by 2010 after implementation of the structure *Neues Heer*. Building on its strengths and adopting a post-modern integrative strategic management at the ministerial level, which merges inductive and deductive methods for problem framing, analysis and decision making, the German Army will spotlight the innovative and adaptive internal processes to become a learning organization. This continuum for learning will be a very positive advance to achieve directed perpetual change, to compete successfully for scarce resources, and enhance mission effectiveness in future military operations.

¹⁷ See subsection 2 and Appendix 1. Transformation is the endeavor to adequately adapt and prepare for changed conflict scenarios and new threats.

¹⁸ Wolfgang Schneiderhahn, “Transformation der Bundeswehr Verbesserung der Einsatzfähigkeit”, *Der Mittler Brief, Informationsdienst zur Sicherheitspolitik*, Heft 1, Vol. 20, 2005, 3. BMVg (FMoD). Inspekteur des Heeres (Chief of the Army), *Weisung für Weiterentwicklung des Heeres* (WWH), 1. Änderung, Bonn, May 2005. See also Appendix 1. BMVg, Zentrum für Transformation. *Sicherheitspolitische Zukunftsanalyse, Ausblick 2035*, Straussberg, April 2007.

¹⁹ Kugler Binnendijk, Managing Change. l.c., 4. Department of the Army. Transformation Roadmap, vii. http://www.oft.osd.mil/library/library_files/document_201_army_transformation.pdf (accessed 11 November 2007). Senior U.S. Army general officers during the Army Fellows Orientation Conference on 26 July 2007 in Washington D.C. Francis J. Harvey (former Secretary of Staff U.S. Army), Peter J. Schoomaker (former Chief of Staff U.S. Army). *A Statement on the Posture of the United States Army 2007*. 14 February 2007, iv.

Limitation and Methodology

The focus of this research is the Army as the operational linchpin in the multinational operating German Armed Forces (Appendix 2).²⁰ Its role as the ground maneuver arm of decision will cause the Army to bear the brunt of Germany's operational obligations on a global scale. The pressure for innovation is particularly high. Size and complexity of armed forces in general, and the fact that the ground forces reflect more than the other services the core dynamics and anxieties of the society, which make them a political institution as well as a policy instrument, suggest a step-by-step approach.²¹ Hence, successful establishment of an integrative management as a "test-bed" in the largest and most "challenging" service will facilitate corporate, that is, FMoD-level acceptance, and use on a ministry-wide scale.²²

Among a number of reasons, which "militate against organizational effectiveness and initiative", the primacy of politics links closely with the nation's strategic culture and the civil-military philosophy. These factors oppose the unchecked application of civilian management instruments in the armed forces.²³ No easy solution exists for successful internally initiated and

²⁰ German Federal Government/German Defense Ministry. *White Paper 2006*. Berlin 2006, 90.

²¹ Harold Winton and David Mets, *The Challenge of Change*, (London: University of Nebraska Press, 2000), 230.

²² This is no contradiction to the generally established notion that effective change must be system-wide. The German Army is a "homogenous group" whose members belong to one single higher-level unit and act "as one". The corporate *Bundeswehr* is by definition a "homogeneous group", too. However, the services are heterogeneous groups with different cultures and differing interests. Marshall Scott Poole, "Central Issues in the Study of Change and Innovation", Marshall Scott Poole and Andrew H. de Ven, *Handbook of Organizational Change and Innovation*, (Oxford: Oxford Press), 3-31, 20. Richard W. Woodmann and Todd Dewett, "Organizationally Relevant Journeys in Individual Change", *Ibid*, 32-49, 44, 45. Johannes Gerber, "Militärökonomie und Bundeswehr", Dermot Bradley, Heinz-Ludger Borgert, and Wolfgang Zeller (ed.), *MARS Jahrbuch für Wehrpolitik und Militärwesen*, No. 2, Osnabrück 1996, 391-416, 359. Walter Groth, "Streitkräfte als Wirtschaftsbetrieb", Oswald Hahn (ed.), *Der Soldat als Ökonom*, l.c. 60. Doreen Jährg, "Auffassungen Prof. Hahns zu inhaltlichen und methodologischen Leitlinien der BWL der Streitkräfte", Forschungsinstitut für Militärökonomie und angewandte Konversion Berlin der Gesellschaft für Militärökonomie (ed). *Streitkräfte als Wirtschaftsbetrieb*, Berlin 1992, 64-74, 65. Johannes Gerber, "Militärökonomische Analyse der Lage in Europa zum Zwecke militärischer Planung" *S+F*, Vol. 15, No. 1, 1997, 34-38, 37.

²³ Morris Janowitz, *The Professional Soldier*, (Illinois: The Free Press of Glencoe, 1960), 47.

directed change in the military realm. Hence, this paper does not seek normative solutions but does analyze emergent discussion-making methods. Using Clausewitz's categories, this paper refers to the "preparation for war" (*Erhaltung der Streitkräfte*) unlike "war proper" (*Krieg an sich. Eigentliche Kriegsführung*).²⁴ This presents another assumption. The peacetime "business realm" of the military provides the support basis for the wartime "operational realm". The "business realm" of plans, preparation, and progress determines an expectation for later operational ability.²⁵

Research will comprise four steps. (1) An analysis of the macro-organizational environment will present the outer framework, which rightfully limits the ability of the Army as a governmental organization for universal and unrestricted decisions on *Transformation*, and the unchecked application of civilian management tools. (2) In a second step, the paper compares and contrasts the challenges that globalization poses on civilian enterprises with the challenges the military confronts in its contemporary "business" and operational environments. A strategic management model for civilian enterprises, which can cope with these challenges is developed based on a discussion of modern approaches to change management, the concept of the learning organization, and systems thinking. (3) Then, the paper defines the micro-organizational attributes and limitations between profit organizations and the Army, which require consideration if an application of the management model in the military-governmental realm is intended. (4) Finally, the paper proposes a "customized" integrative strategic leadership and management model for the German Army Staff, which synthesizes the results of the previous research steps.

²⁴ Clausewitz, *Vom Kriege*, 269-278.

²⁵ The U.S. Army distinguishes between the institutional and the operational Army. In the context of this paper, the business realm of the German Army relates to the institutional army that recruits, equips, organizes, and holds the responsibility for the other U.S. Title 10 comparable tasks. FORSCOM, Modular Force Command and Control Pamphlet, 18 October 2007, 11.

Germany's Security Policy and *Bundeswehr Transformation*

The German Security Policy

Strategic Context and Security-Politico Choices

The complexity of business strategy increases with the proximity to politics and the unique character of armed forces confines autonomous decisions. Among these factors, the primacy of politics provides the principal restriction. Political policy guidelines shape and are shaped by the external national context for any action by the armed forces. Hence, this subsection presents two steps to frame the freedom of action of the German Army within its macro-organizational environment. The first step analyses Germany's current strategic context, strategic culture, civil-military-relations, and defense strategy. The second step depicts the joint approach to *Transformation* and the Army's role in conjunction with the other armed services.

After unification and the dissolution of the Warsaw Pact, Germany faced a revolutionary change of the strategic environment. While reframing its post-Cold War role, the nation recognized that the age as a "bulwark of deterrence" in Europe was obsolete.²⁶ The comfortable position as far as the use of force is concerned, derived from Germany's historical experience in Europe had ended.²⁷ Despite being "surrounded by friends", the conditions in and beyond Europe were fragile.

Geopolitically, three factors determined Germany's role at the entry to the 21st century: size, location, and capabilities. Concerning her size, Germany is the European country with the largest population, the largest economy – the third largest in the world – and militarily stands in

²⁶ Kerry Longhurst, "Endeavors to Restructure the Bundeswehr: The Reform of the German Armed Forces 1990-2003", *Defense and Security Analysis*, Vol. 21, No. 1, March 2005, 21-36, 24.

²⁷ Martin Agüera, "Ambitious Goals, Weak Means? Germany's Project "Future Bundeswehr" is Facing Many Hurdles", *Defense Analysis*, Vol. 17, No. 3, 2001, 289-306, 293.

favorable comparison with the traditional European powers of France and Great Britain.²⁸ In geographical terms, Germany lies in the “heart” of Europe as the most powerful country on NATO’s Eastern border. This makes Germany the “centerpiece of the military capable Europe”.²⁹ Finally, Germany demonstrates economic power, and sovereignty as an equal political player among the European nations. The successful and gradual “normalization” of her security politics has enhanced Germany’s self-assertiveness on the international stage as a result of incremental changes in security thinking and acting.³⁰ Germany gradually shifted from a recipient of security to a security co-producer and significantly contributed to UN-, NATO-, and EU missions in Cambodia, Somalia, Balkans, Afghanistan, and Congo.³¹

The geopolitical position offers Germany two basic security-politico choices.³² The first option is the role of an economic and military leader in Europe, or at least, of the *primus inter pares*, with an autonomous foreign and security policy that could also comprise a unilateral “high-end” application of military power for its own interests including the acquisition of nuclear weapons. The neo-realist school of international relations predicted this possibility and was the

²⁸ Facts about Germany: Population: 82.5 m. Economic prowess: Germany is the largest economy in the European Union and the third largest in the world. With the highest GDP and the largest number of inhabitants in the EU, Germany is Europe’s most important market. Gross Domestic Product comes to EUR 2,216 billion (2004), GNP per capita is EUR 26,856. Export: Germany is the world’s leading exporter: the volume of goods exported came to EUR 786 billion in 2005. Key trading partners: France (10.3%), USA (8.8%), Great Britain (8.3%), Italy (7.1%). <http://www.tatsachen-ueber-deutschland.de/en/content-home/facts-and-figures/economy.html>. (accessed 08 October 2007).

²⁹ Agüera, “Ambitious Goals”, l.c. 290.

³⁰ Fabian Breuer, “Between Ambitions and Financial Constraints: The Reform of the German Armed Forces”, *German Politics*, Vol. 15, No. 2, June 2006, 206-220, 208. P. Gordon, “Berlin’s Difficulties, The Normalization of German Foreign Policy”, *Orbis*, Vol. 38, 1996, 225-243. Kerry Longhurst, “Why Aren’t the Germans Debating the Draft? Path Dependency and the Persistence of Conscription”, *German Politics*, Vol. 12, No. 2, August 2003, 147-165, 154.

³¹ Breuer, “Between Ambitions...”, l.c. 206.

³² Another potential choice could be Germany’s exclusive focus on her economic power, and leaving military-linked security-politico matters in the responsibility of the traditional players. This cheque-book-diplomacy – like approach (financial participation at military operations with only limited or no contribution of troops) would be a continuation of the (then status-given) Cold War approach. After recovery of national supremacy, neither the EU countries – the main trading partners – nor the U.S. could accept such an isolationistic attitude. Such approach is no realistic choice. Hence, no further discussion.

main concern of France and Great Britain on the eve of German unification.³³ However, German foreign policy allayed the concerns of the European neighbors about an emerging “Fourth Reich”, and was based on recognition that her welfare and security are inseparably linked to the political development of Europe and the remainder of the world.³⁴ Furthermore, there would be the danger that an autonomous Germany would initiate the revival of a multi-lateral “balance of power” system that inevitably would increase the threat of a re-polarization, and disintegration of Europe. “As the Germans, for their part have come to recognize that they’re vastly better off as part of an integrated Europe than as a dominant player in a nonintegrated Europe” the probability of striving for autonomy in the future is low.³⁵

The second option aims at an active, mitigating, and balancing role as currently pursued by Germany.³⁶ Her security-politico approach is comprehensive and within an interwoven network of security structures where the transatlantic partnership (NATO) remains the basis for common security and the cornerstone of her future security and defense policy. Correspondingly, the European Union (EU) reinforces political stability, security, and prosperity in Germany.³⁷ In the EU security framework, Germany’s primary goals are to strengthen European integration and an active EU policy with East Europe, Russia, the Mediterranean region, Southern Caucasus, and Central Asia. From the German perspective, NATO and EU are complementary institutions. Their strategic partnership is a pillar of the European and transatlantic security architecture. Thus, improved multilateralism and international cooperation remain the central aims of German

³³ Franz-Josef Meiers, “A Change of Course? German Foreign Policy and Security Policy After Unification”, *German Politics*, Vol. 11, No. 3, December 2002, 195-216, 195, 196. Then UK Prime Minister Thatcher feared that Germany could become a juggernaut in peace, and the French *couch mare* was a German return to Bismarck’s sea saw politics (*Schaukelpolitik*). Russia’s concern was that Germany would develop additional military capabilities, based on her foreseeable economic growth and political status.

³⁴ Meiers, “A Change of Course?”, l.c. 198. *White Paper* 2006, l. c. 5.

³⁵ Peter Schwartz, *Inevitable Surprises*, (New York: Gotham Books, 2003), 117.

³⁶ NATO, European Union, Organization for Security and Cooperation in Europe (OSCE).

³⁷ *White Paper* 2006, l. c. 7.

foreign and security politics.³⁸ Today's Germany follows the pattern of the former *Bonn* Republic, but acts in a more assertive way. Despite conflicts with major allies, Germany pursued its agenda to transform NATO to a more politically oriented organization, and now emphasizes the European integration process and strengthening of the European pillar in NATO.³⁹

Germany's geopolitical position and its security-political choice cause a considerable influence within the European and transatlantic system, but this choice requires a keen national responsibility. Today, Germany has the potential to act as the balancing linchpin among EU members and traditional European powers, among the old and new eastern EU members, and as part of the EU external projection niche, the transatlantic realm. Eurasia with Russia and "Eurabia" are the main effort.⁴⁰ Being a reliable partner in the European security structures requires tangible military efforts and contributions to the transforming NATO and its European pillar. Against the backdrop of current security challenges and the increasing capability gap between the U.S. and the European allies, these contributions should be worthy of the term "burden sharing" because only partners with military capabilities may claim influence, whereas those without capabilities are only heard when the others listen.⁴¹

Therefore, Germany's future challenge will be to develop and support a German defense strategy that avoids suspicion, particularly by Russia, of exploiting her position for national hegemonic reasons. At the same time, the defense strategy must allow for the German armed

³⁸ White Paper 2006, l.c. 5-7, 21-22.

³⁹ Meiers, A., "Change of Course?", l.c. 213.

⁴⁰ Ye'or Bat uses the word "Eurabia" as a modification of the term Eurasia in a figurative sense. She wants to express the transformation of Europe into "Eurabia", a cultural and political appendage of the Arab/ Muslim world. Bat Ye'or, *Eurabia. The Euro-Arab Axis*, (Granbury: Associated University Press, 1984). In the context of this paper, Eurabia is to express the special proximity of Europe with the Middle Eastern and North African states that directly influence European security, and Germany's policies, too.

⁴¹ With regard to the "capability gap" see Emil J. Kirchner, "The Future of NATO: Transforming not Withering", Reinhard C. Meier-Walser (ed.), *Die Zukunft der NATO, Argumente und Materialien zum Zeitgeschehen*, (München: Hans-Seidel-Stiftung, 2002) 47-53, 50. Agüera, "Ambitious Goals", l.c. 295.

forces' doctrinal, technical, and interoperational ability and readiness to counter common threats alongside her allies and consolidate trust in Germany's security-politico position.

Strategic Culture and Civil-Military Strategy

German strategic culture is a key determinant of her security and defense policy. It translates the German national experience of the 20th century into contemporary civil-military strategy and politics. As a consequence Germany experiences high domestic influence on defense policy-making and a generally unmilitaristic attitude towards the armed forces.⁴²

Opinions differ in the literature on whether the strategic culture changed after the end of Cold War. What are the central values and operational beliefs by German political decision makers on the use of force in out-of-area missions? Some observers see a change due to a more "relaxed" stance to use force and in a "modified continuity" of security policy.⁴³ Other observers assess that Germany has not yet wholly freed itself from its historic past and that security policy continues to depend more on the implications of the "collective infancy" of 1945 than on the

⁴² There are different discussions in literature on strategic culture. Often, there is a synonymous use of strategic culture and security culture. Jack Snyder, *The Soviet Strategic Culture: Implications for Nuclear Options*, (Santa Monica: RAND Cooperation, 1977). Iain A. Johnston, "Thinking about Strategic Culture", *International Security*, Vol. 19, No. 4, 32-64. Ronald L. Jefferson, Alexander Wendt, and Peter J. Katzenstein, "Norms Identity, and Culture in National Security Policy", Peter J. Katzenstein (ed.), *The Culture of National Security*, (New York: Columbia University Press), 33-75. Anja Dalgaard-Nielsen, "The Test of Strategic Culture: German Pacifism and Pre-emptive Strikes", *Security Dialogue*, Vol. 36, No. 3, 339-359, 341, 343. Kerry Longhurst, *Germany and the Use of Force: The Evolution of German Security Policy 1990-2003*, (Manchester: Manchester University Press, 2004), 1. There are different views in literature about what the relationship between society and military might determine. For instance, there is the argument that "society's view of the world" is the key determinant, which is influenced by the "levels of technology", the "culture of society", and the "socio-economic structure". Another opinion is that "military legitimacy" is the determining factor. Timothy Edmunds, Anthony Forster, and Andrew Cottey, "The Armed Forces and Society", 2003, 4. <http://64.233.179.104/scholar?hl=de&lr=&q=cache:mOZuTRgTDREJ:www.bris.ac.uk/politics/grc/CMR/T/CMR%20Papers/analysis.pdf>. (accessed 14 November 2007). Nathan Sexton, "A Description of the Articles of the Past Five Years of Armed Forces and Society", Texas State University, Fall 2003, 48. <http://ecommons.txstate.edu/cgi/viewcontent.cgi?article=1037&context=arp>. (accessed 14 November 2007).

⁴³ Breuer, "Between Ambitions", l.c. 206. Meiers, „A Change of Course?“, l.c. 213.

influences of 1989-1990”.⁴⁴ Both positions have substance. As a “civilian power”, Germany is not pacifist but is more skeptical than traditional great powers in what is achievable through military forces. Germany acts only collectively, only with international legitimacy, and only in pursuit of “civilizing” international relations.⁴⁵ These principles describe German foreign policy and use of military forces that former Chancellor Helmut Kohl called the “*Kultur der Zurückhaltung*” (culture of restraint).⁴⁶ Unequivocally, Germany uses military power only as a last resort. For instance, the 2006 German Defense White Paper states that the German federal government will continue to examine each individual case with German values and interests and if a situation requires the operational involvement of the *Bundeswehr*.⁴⁷

The German self-image as a civilian power also influences the civil-military strategy. Political and public attention span for defense issues is small, and there is no public discussion on foreign-, security-, defense policy, and national interests. The result is a “cultural lag” between the *Bundeswehr* and public awareness that swings between benevolent indifference to friendly acceptance of a “peace army”.⁴⁸ As defense matters are not the national focus, the cultural lack hampers financial support of the armed forces. Similarly, public and political support for any German military commitment to operation wavers normally unless large-scale ethnic violence, humanitarian disaster, or immediate direct threats are obvious.

Besides this cultural reality, two other essential principles affect the civil-military strategy. The *Kanzlerprinzip* (principle of the chancellor) and the *Ressortprinzip* (principle of the

⁴⁴ Agüera, “Ambitious Goals”, l.c. 293. Longhurst, “Germany and the Use of Forces”, l.c. 143.

⁴⁵ Hanns Maull, “Europe and the new Balance of Power”, *International Affairs*, Vol. 81, No. 4, 2005, 775-790, 781.

⁴⁶ Franz-Josef Meiers, “Transformation der Bundeswehr“, *Österreichische Militärzeitschrift (ÖMZ)*, Vol. 42, No. 6, 2004, 681-688, 685.

⁴⁷ *White Paper 2006*, l.c. 22. This culture is the result of the existence of two major camps in the German political, and public landscape that derive from competing interpretations of the German history: the “never again war” pacifist interpretation, and the “never again alone” centre-right camp.

⁴⁸ Elmar Wiesendahl, “Bundeswehr und Gesellschaft in der Transformation”, Wilfried Gerhard and Hans-Joachim Reeb. *Transformation der Streitkräfte*, (Bremen: Edition Temmen, 2007), 67-83, 76.

departments) are governance principles of the German Federal Republic.⁴⁹ While the chancellor is responsible for the strategic direction of policy-making (*Kanzlerprinzip*), the *Bundesminister* (e.g. Defense Minister) is autonomous, within the Chancellor's directives, for the policies of their political sub-systems (*Ressortprinzip*). In Germany, the Defense Minister determines the structure and the capabilities of the Armed Forces. The Minister for Foreign Affairs is responsible to submit the proposals for their use to the Chancellor. As a political reality, the *Bundeswehr* and its *Transformation* does not enjoy political priority. Other limitations that confront defense programs are policy sub-systems, such as social policy, budgetary policy, and electoral strategy. A study of the last German Armed Forces reform from 1998-2004 provides evidence for this thesis. The study presents that the reform was more the result of national self-reference than solution to the adaptation pressures of EU, NATO, and the rule of "international structure".⁵⁰ A critical recognition is knowing the *Kanzlerprinzip*, and the *Ressortprinzip* imposes significant political limitations on self-initiated organizational change, and a strategic management in the Army. They require that sustainable decisions in the military professional realm must match with the Chancellor's and the Defense Minister's political interests.

The *Konsensprinzip* (principle of consensus) and the *Prinzip der Schriftlichkeit* (principle of writing) are further governance principles that guide the work within the departments of the German government.

For the FMoD, the *Geschäftsordnung BMVg* (rules for the organization of work, workflows, and decision processes) prescribe the *Konsensprinzip*. The principle requires that the basis for decisions is overall "non-disagreement" to proposals [in essence, this equates to an

⁴⁹ *German Basic Law*, Article 65. Eberhard Wetschy-Schuett, "Richtlinienkompetenz des Bundeskanzlers, demokratische Führung und Parteiendemokratie, Teil II: Fehlinformation des Publikums", *Zeitschrift für Politikwissenschaft*, Vol. 4, No. 3, 2003, 1897-1932.

⁵⁰ Tom Dyson, "German Military Reform 1998-2004: Leadership and the Triumph of Domestic Constraint over International Opportunity", *European Security*, Vol. 14, No. 3, September 2005, 361-386, 361, 381.

individual veto power] within and among the service staffs. In concept, consensus is an admirable principle. Yet, a requirement for true consensus can stall or prevent vision and an incremental advance to directed change and readiness.

The *Prinzip der Schriftlichkeit* channels information flow on written communication among the hierarchical levels, reduces permeability of ideas and emerging concepts, and hampers creative dialogue.

Introducing a strategic management model would be an opportunity to experiment. This fosters an assumption that a “step-by-step installation process”, initially limited to the Army, could be a feasible approach to examine change effect to one sub-system in the FMoD. Such a process could facilitate the creation of a “holding environment” where directed change could happen, undisturbed from sometimes-divisive influences of an outsized joint body.⁵¹

Defense Strategy

The *Verteidigungspolitischen Richtlinien* (Defense Political Guidelines (DPG)) established the foundation for the German defense strategy.⁵² Initiated and issued in 2003 by the then Minister of Defense, it preceded the White Paper, and expressed the German commitment for more responsibility in world politics alongside her allies. The DPG align deeply with the German strategic culture. As the keystone document for the “*Neue Bundeswehr*”, the DPG is the foundational future of German Defense and Military strategy, and initiate the German Armed Forces’ *Transformation*.⁵³ The DPG represent the German response to the events of 9/11 and the

⁵¹ Ronald A. Heifetz, *Leadership without Easy Answers*, (Cambridge: The Belknap Press, 1994), 104, 105. Ronald A. Heifetz and Marty Linsky, *Leadership on the Line*, (Boston: Harvard Business School Press, 2002), 102-107.

⁵² BMVg, Verteidigungspolitische Richtlinien (Defense Political Guidelines)(DPG), 21 May 2003. http://www.bmvg.de/portal/PA_1_0_P3/PortalFiles/C1256EF40036B05B/N264XJ5C768MMISDE/VPR_BROSCHUERE.PDF?yw_repository=youtatweb (accessed 12 December 2007).

⁵³ Issued in 2003, the DPG laid the foundation for the White Paper published in 2006. Essential statements of the one were migrated into the other.

subsequent US-led War on Terror,⁵⁴ and states the capstone strategic aim for a hierarchy of documents that drive the current widespread adaptation process in the FMoD.⁵⁵ Strategic factors include an evolving operational spectrum with new task requirements for the German Armed Forces, its multinational integration with the co-operability needs within the European and transatlantic context, and German national financial constraints.⁵⁶ The DPG radically redefine the mission of the former home defense oriented German forces by alleviating the geographical limits for defense, and emphasize the crisis intervention role within a “bridge concept”⁵⁷ that balances Atlanticism and Europeanism”. According to the DPG, the *Bundeswehr* reshapes into an effective political instrument for a comprehensive security and defense policy, and able to fulfill a new military mission spectrum for the nation.⁵⁸

The German Armed Forces *Transformation*

German Armed Forces *Transformation* aims at the synergy effects between the military realm – here particularly as far as doctrine, technologies, equipment, training and education, organization and structures are concerned – and the non-military realm, much as interagency co-operation, national, and international governmental and non-governmental organizations. An author argues, that “true transformation only happens when the ultimate purpose of existence [of an organization] changes.”⁵⁹ From this point of view, the DPG radically changed the mission of

⁵⁴ DPG, l.c. 11, I/9.

⁵⁵ BMVg, *Konzeption der Bundeswehr (KdB)*, Berlin, 19. August 2004. *Weisung für die Weiterentwicklung der Bundeswehr*, 23 October 2003. *Weisung für Weiterentwicklung des Heeres (WWH)*, 1. Änderung, Bonn, May 2005.

⁵⁶ DPG, l.c. 9, 23.

⁵⁷ Dyson, “German Military Reform”, l.c. 373.

⁵⁸ The new mission of the *Bundeswehr* is to secure the German foreign politico freedom of action, to contribute to stability in the European and global frame, to assure national security and defense, to contribute to collective defense of the allies, and to promote multinational cooperation and integration.

⁵⁹ Jack D. Kem, “Military Transformation. Ends, Ways, Means”, *Air & Space Power Journal*, Fall 2006, 88.

the German Armed Forces with a charter to a new security environment. The *Bundeswehr* must transform.

If one compares the U.S. and German *Transformation* documents, the U.S. approach can be a role model in many respects.⁶⁰ The U.S. *Transformational Planning Guidance 2003* describes a process that is to exploit its own advantages and protect the U.S. against asymmetric threats by combining new technologies, military doctrine, and organizational structures.⁶¹ In its “Transformation Road Map”, the U.S. Army explains that the combination of concepts, peoples, and technology to produce new or increased capabilities will serve to achieve these ends. The U.S. Army must institutionalize the process and create a “culture of innovation that seeks to exploit and shape the changing conduct of military competition”.⁶²

The German approach is similar and derived from the DPG 2003. The White Paper 2006 reads that *Transformation* is “away from the classic perception of warfare, and consequently, the endeavor to adequately adapt and prepare for changed conflict scenarios and new threats”.⁶³ The main goal of *Transformation* is to enhance operational effectiveness.⁶⁴ *Transformation* in Germany addresses the security, society, mentality, organization, and technology dimension and seeks to improve the capability categories of command and control, ISTAR⁶⁵, mobility,

⁶⁰ BMvg. *Konzeption der Bundeswehr (KdB)*. WWH, 1. Änderung.

⁶¹ U.S. Department of Defense. *Transformation Planning Guidance*, April 2003, 3. http://www.oft.osd.mil/library/library_files/document_129_Transformation_Planning_Guidance_April_2003_1.pdf. (accessed 24 December 2007). Benjamin Schreer, “Die Transformation der US-Streitkräfte im Lichte des Irakkrieges”, *SWP-Studie*, Stiftung Wissenschaft und Politik, Berlin, 2003, 7.

⁶² U.S. Department of the Army, *Transformation Roadmap*, Fiscal Year 2004-2009, Foreword. http://www.oft.osd.mil/library/library_files/document_201_army_transformation.pdf. (accessed 31 January 2008).

⁶³ Federal Ministry of Defense, *White Paper 2006*, l.c. 103.

⁶⁴ BMVg, Stellvertretender Generalinspekteur der Bundeswehr. Briefing “Auswirkungen des Transformationsprozesses der Bundeswehr auf Auftrag, Struktur, Personal und Ausrüstung der Streitkräfte” Petersberg Talks, St. Augustin, 19 February 2005, 4.

⁶⁵ Intelligence, Surveillance, Target Acquisition and Reconnaissance.

sustainability, engagement effectiveness, and force protection.⁶⁶ Starting from the DPG 2003, the German way of *Transformation* differs from the U.S. approach in its first “revolutionary” reform step and short-term goal, the structure of the *Neue Bundeswehr* and the *Erneuerung von Grund auf* (renewal from scratch). The *Konzeption der Bundeswehr* (conception of the *Bundeswehr*), and the *Weisung für die Weiterentwicklung der Bundeswehr* (directive for the development of the German Armed Forces) are the *Transformation* documents that followed the DPG. These directives initiated a significant reduction of the German Armed Forces to 250,000 [until 2010] and a structure that optimizes for the most probable military operations.⁶⁷

What does this mean for the German Army? With the restructuring process from the *Heer der Zukunft* (future army = former structure) to the structure *Neues Heer* (New Army) in 2010, the German Army is currently conducting a first revolutionary transformational step. Derived from the *Weisung für die Weiterentwicklung der Bundeswehr*, the *Weisung für die Weiterentwicklung des Heeres* (WWH) (directive for Army development) adapts structure, doctrine and equipment of the army while adhering to the concepts that have proven successful (e.g. mission-type command and control, the concept of *Innere Führung*).⁶⁸ The *Neue Heer*-structure will offer capabilities for “full-spectrum operations” (see appendices 1 and 3).

⁶⁶ DPR, l.c. II/31.

⁶⁷ The German armed forces will be capable to operate seamlessly across the whole intensity spectrum. Hence, three force categories will emerge: response forces for network centric, high-intensity peace enforcement operations, stabilization forces for low- to medium-intensity stabilization operations (e.g. ISAF, OEF, OIF Phase IV), and support forces for training and logistical support of the other force categories. 21,000 personnel will be earmarked for response forces and another 36.000 personnel for stabilization forces. The latter will have warfighting capability on the tactical level. BMVg, *Konzeption der Bundeswehr* (KdB), Berlin, 19. August 2004. *Weisung für die Weiterentwicklung der Bundeswehr*, 23 October 2003. Peter Struck, “Fit für veränderte Aufgaben – Die Transformation nimmt Gestalt an”, *Europäische Sicherheit: Politik, Streitkräfte, Wirtschaft, Technik*, Vol. 54, No. 1, 2005, 12-17, 12, 13.

⁶⁸ BMVg, Führungsstab des Heeres, “Innere Führung: leadership development and civic education”, *Das Neue Heer – Transformation transparent*, Bonn, Juni 2007, 6. http://www.deutschesheer.de/portal/PA_1_0_P3/PortalFiles/C1256F87004CF5AE/W274RETK362INFODE/070611_Transfo+transparent_InhVerz_S.pdf?yw_repository=youatweb (accessed 02. November 2007). BMVg, Inspekteur des Heeres, *Weisung für Weiterentwicklung des Heeres* (WWH), 1. Änderung, Bonn, May 2005.

In the German Armed Forces, *Transformation* is coordinated at the joint level. The CHOD is the immediate military adviser to the Defense Minister and is the responsible authority for the *Transformation* process (Appendix 4). The service chiefs are responsible for their own transformational initiatives within the joint setting, and can submit their own proposals (top down – bottom up approach).⁶⁹ They have to implement transformation guidelines in their respective services, which are consensually agreed upon in the *Koordinierungsgruppe Transformation* (steering committee transformation) (Appendix 4). The latter is the central management body for the *Transformation* process on the joint ministerial level. The *Zentrum für Transformation* (Center for *Transformation*) is the sub-ministerial hub for the coordination of joint and service *Transformation* activities. It ensures unity of effort and supports the steering committee. For the German Army, “Directorate III” in the ministerial Army Staff manages this responsibility. The Army Staff and the Army Office (TRADOC)⁷⁰ are members of the *Koordinierungsgruppe*. Multi-nationally, the *Bundeswehr* participates in the Concept Development and Experimentation (CD&E) processes of NATO, and is a member of the U.S.-initiative “Military Interoperability Council (MIC)” – a CD&E community that is a driver for the U.S. and NATO process. The ministerial Army Staff determines the Army representatives in these panels.

Above staff activities, arrange responsibilities and information flows but whether they can create a culture of internally driven innovation as expressed in the U.S. Roadmap remains questionable. Section 4 will re-address this issue.

Deductions

By linking Germany’s strategic position with its civil-military strategy to the German way of *Transformation*, this section depicted “macro”-organizational limitations for an

⁶⁹ Ralph Thiele, “Transformation der Bundeswehr”, *Wehrtechnik*, Vol. 36, Nr. 2, 2004, 76-80, 80.

⁷⁰ Comparable to U.S. TRADOC.

independent strategic management model in the Army Staff which lead to following deductions:

(1) Both, the DPG 2003 and the Reform 2004 were an initiative of the political realm rather than the military. However, future *Transformation* requires military initiative, military change agents, and an environment that boosts creativity and innovation. (2) Acceptance of the governance principles will further be necessary, and new management approaches should account for them. This requires new ways of interaction, particularly among the military and the political levels, and among the joint military bodies. (3) Embedded into the joint *Transformation* process, the army remains accountable for its own development in a complex environment. Hence, the challenge will be to develop, trigger, and facilitate transformational activities without external impetus while complying with macro-organizational limitations.

These limitations do not apply to enterprises, and constitute the main differences between private and governmental sector organizations. However, do they foreshadow the non-usability of civilian management concepts in the Army Staff? A more detailed micro-organizational analysis follows in a later section. The next section will analyze the external environment of organizations in order to provide evidence that globalization poses similar challenges on the military realm and enterprises. Then, the section will discuss contemporary change theory that tries to provide proposals for how to cope with complex environments. Finally, the author will offer a modern, derivative strategic management model that recognizes the environmental challenges of globalization and modern change theory.

Strategic Management – a Model for Change in the Age of Globalization

The Challenges of Globalization

Dynamics and Complexity in the Future Environment – A PEST-Analysis

Strategy development requires structuring the relevant influencing factors and their interrelations. Any strategy development builds on two main pillars: (external) analysis of the environment, and (internal) analysis of the organization's strengths and weaknesses.⁷¹ Since organizations are open systems, even if to a different degree for private enterprises and military organizations, they are in close exchange with their environment. Hence, the external strategic analysis is the first step because it produces the informational preconditions for a successful strategy. The subsequent paragraph elaborates some environmental trends that interact with profit organizations, and their effects on the German Army. An appraisal will determine whether there are principal perceptual differences between the profit and the military realm. This essential criterion permits a determination of whether the strategic management approach can be applied in the business realm of the army.

Environmental analysis seeks to neither predict the future nor fix the basis for a strategic planning because any prediction and planning is often of no avail.⁷² As depicted in the introduction, environmental analysis is more about “designing” a room for thoughtful intervention in order not to be overtaken by “inevitable surprises”, the great risk of our time.⁷³ Strategy design precedes planning. What factors have business strategic relevance? A typical

⁷¹ Markus Etzbach, *Empirische Bausteine für eine Theorie der Konzerne*, Dissertation, Universität der Bundeswehr, München, 2006, 142.

⁷² Gray, *Strategy for Chaos*, l.c. 130.

⁷³ Schwartz, *Inevitable Surprises*, l.c. 236. Gray, *Strategy for Chaos*, l.c. 130. Margaret J. Wheatley, *Leadership and the New Science*, 2nd edition, (San Francisco: Berrett-Koehler Publishers, 1999), 38, 39.

strategic management tool that evaluates the influences of **p**olitics, **e**conomy, **s**ociety, and **t**echnology (PEST) on the organization is the PEST tool. The PEST model is a tightened variant of the PMSII-framework that describes the interconnected political, military, economic, social, infrastructural, and informational parameters for operational planning in the U.S. Armed Forces.⁷⁴

In the political realm, “revolutionary new linkages between knowledge, wealth, war” and nation states have created a “new world order” that offers profit-enterprises opportunities due to liberalized capital markets. These markets facilitate access to formerly unattainable enquirers, tax harmonization, options for business trans-nationalization, and political stability (e.g. European Union).⁷⁵ For the military, this “transnational interplay” poses opportunities and threats.⁷⁶ Shifts of importance among nation states, regional political cooperation, and non-state actors enlarge political choices for international relations since the combinations of alternatives are possible – from unipolarity to multi-polarity, from co-operation to confrontation, and from stability to instability.⁷⁷ The advantages of new options for coalitions and multinational burden sharing emerge alongside the challenges posed by a diversification of future conflicts and the globalization of foreign policy.⁷⁸ Deriving from this developments, the German Army will require a business strategic adaptation in two main fields: (1) the future operational capabilities, and (2) shape of multinational peacetime cooperation.

⁷⁴ U.S. Department of Defense, Chairman of the Joint Chiefs of Staff, *Joint Publication 3-0 Joint Operations*, September 2006, II-22.

⁷⁵ Michael Z. Brooke, *International Management*. 2nd ed., (Cheltenham: Stanley Thornes LTD, 1992), 284. Toffler, *War and Anti-War*, l.c. 252.

⁷⁶ Thomas Fingar, Deputy Director for Analysis, *Global Security Assessment for the House Armed Services Committee*. July 11, 2007, 20, (AOSF issue).

⁷⁷ Joseph S. Nye Jr., *Understanding International Conflicts*. 4th ed., (New York: Longman, 2003), 251.

⁷⁸ Amt für Studien und Übungen der Bundeswehr, *Streitkräfteinsatz 2020, Abschlussbericht Band III*. Waldbröhl, 1996, 237. Christian Millotat. “Das Deutsche Heer auf dem Weg in die Zukunft”, *ÖMZ*, No. 4: 1998: 391-396, 396.

The economic factors, concentrations and mergers on the one hand, regionalization on the other hand, are the determining issues that enterprises face. Internationalization results in worldwide acquisitions and integrations along the value-chains. The consequences are global dependencies and, after short- and medium term wins, a probably gradual deterioration of world trade leading to hypercompetition.⁷⁹ The environment hits private- and non- profit organizations on equal terms.⁸⁰ Bidders of all kind have to be “excellent” because buyers face a huge number of procurement options, and loyalty as a particular decision criterion loses importance.⁸¹ As a buyer of public services much as security, the taxpayer in democracies will adopt a similar position. Product excellence will be a critical determining factor to allocate resources.

This understanding influences the German Army since the “primacy of economy” and the primacy of politics are limiting factors for the Germany military.⁸² Stagnating defense budgets and higher demand for military performance result in two dimensions of hyper-competition.⁸³ Internally, the Army competes with the other armed services for personnel and financial resources. Externally, the Army as an employer faces fierce competition for qualified personnel and has to struggle for appeal and acceptance by the available population. From the business

⁷⁹ An example is the “Intellectual Property Rights” issue which increasingly disturbs the trade relations of the established economic players with the new player “China”.

⁸⁰ The key issues in this context are down-slowing growth with regional disparities, a saturation of the main consumer markets, and an accelerating shortage of key raw materials. Ian Turner, *Managing Strategy – The Core Competencies of Strategy*, (Henley-on-Thames: Henley-The Management College, 1992). “Hypercompetition” is a state of constant and unpredictable disequilibrium in an industrial sector or branch based on heterogeneity due to frequent new entries and/or repositioning of new and existing players and continuously shifting market barriers. R. A. D’Aveni, *HyperCompetition*, (New York: Free Press, 1994), xiii-xiv.

⁸¹ T. Peters and R. Waterman, *In Search for Excellence*, (New York: Harper & Row, 1982).

⁸² Jochen Gerber, “Militärökonomische Bestandsaufnahme in der Bundesrepublik Deutschland”, Oswald Hahn (ed.). *Militärökonomie 1990 in Zentraleuropa – Eine Bestandsaufnahme*, Festschrift zum 65-jährigen Geburtstag von General Dipl. Volkswirt Dr. rer. Günter Kiesling”, Erlangen, 1990, 49.

⁸³ Reiner K. Huber. “The Transatlantic Gap”, University of the Federal Armed Forces, 11, 12. http://64.233.179.104/scholar?num=100&hl=de&lr=lang_de&q=cache:kCYimudZhi4J:emma.informatik.unibwmuennen.de/inst5/huber/Streitkraefte/transgap.pdf+change+management+transformation+Bundeswehr (accessed 13 November 2007).

realm tack, strategic management by the Army can be useful to evaluate and to improve its own competitive position in the marketing and controlling realm of an organization.⁸⁴

The social and societal factors comprise the effects of worldwide socio-cultural change as the result of a transition from the industrial to a post-industrial, knowledge-based society.⁸⁵ The effects are shifts of attitudes and values that acknowledge decreasing homogeneity and stability. These effects cause the emergence of First- and Third World environments within both developed and undeveloped countries, and a new worldwide definition of socio-cultural identities. The consequences are changes in the nature of conflicts and a higher vulnerability of modern societies.⁸⁶ Employee attitudes affecting employer-employee loyalties are changing to more self-determination in the job, and demographic change will cause scarcity of qualified personnel for the German Armed Forces. A new loyalty basis of “be loyal to yourself first” emerges that must be countered with suitable incentive schemes.⁸⁷ As a labor-intensive organization the Army must adapt continuously to these societal developments.⁸⁸ The principal challenge is the “individualization” that young soldiers convey to the armed forces. Strategic management must address how to create job schemes that meet a potential applicant’s expectations of higher

⁸⁴ Erich A. Weilbach, “Was erwartet der Steuerzahler von der Transparenz der Bundeswehr?” Hahn, *Der Soldat als Ökonom*, l.c. 219-226, 224. Frank Müller, “Therapie gegen das Dezemberfieber”, *Süddeutsche Zeitung*, Vol. 54, week 29, 07/13/98, 1.

⁸⁵ Bundesministerium der Verteidigung, Zentrum für Transformation der Bundeswehr. *Streitkräfte, Fähigkeiten und Technologie im 21. Jahrhundert. Strategische Zukunftsanalyse 2035*, Kapitel I bis III und Anhang, Waldbröhl, 2005, 77.

⁸⁶ Ibid. l.c. 77.

⁸⁷ Peter Pawlowski, “Mit den Anreizen steht und fällt das Engagement”, *Personalwirtschaft*, No. 6, June 1991, 15-18 and 20-22, 16. William J. Byron, “Coming to Terms with the new Corporate Contract”, *Business Horizons*, January/February 1995, 8-15, 10.

⁸⁸ Bundesministerium der Verteidigung, Zentrum für Transformation der Bundeswehr, *Streitkräfte, Fähigkeiten und Technologie im 21. Jahrhundert*. l.c. 131.

responsibility, satisfactory remuneration, trusted leadership, and accepted organizational culture.⁸⁹

The technical factors are well known. Information technology affects all sectors of life. In the profit realm, it enables international value chains, reduces product life cycles, increases the flexibility concerning customer interests, and facilitates unlimited transfer of knowledge. This leads to highly volatile markets and fluctuating customer-client relationships. Literature discusses this context the term “industry breakpoints” borrowed from complexity theory.⁹⁰ Similar to Revolutions in Military Affairs (RMA) these breakpoints stem from unpredictable technology shifts and can cause revolutionary transformation in competition. In the German Army, the technical scenery leads to more non-technical strategic questions about investment and resource allocation. Building a modern army in Germany is more a problem of resources, culture, and doctrine, rather than a problem of technical feasibility.⁹¹

Deductions from the Environmental Analysis

For both enterprises and military organizations, environmental uncertainty and turbulence are normal.⁹² The unpredictability of events makes long-term planning impractical. A balanced

⁸⁹ In terms of organizational culture: The collectivity of norms, values, and attitudes, which determines the behavior of an organization’s workforce at all levels, and shapes the organization’s external perception. Each organization has its own culture and promotes those leaders who match best with the respective cultural setting. R. Dubs, “Unternehmenskultur: Mehr als ein Schlagwort?“, *Zeitschrift Sozialwissenschaften und Berufspraxis*, Vol. 16, No. 3, 2003, 315. K. Doppler and Ch. Lauterburg, *Change Management*, 10th ed., (Frankfurt Main, 2002), 87.

⁹⁰ Paul J. Strebelt, *Breakpoints – How Managers exploit radical Business Change*, (New York, London: Harvard Business School Press, 1992), 10, 27.

⁹¹ The concept reaches back to Peters and Waterman’s bestseller *In Search for Excellence*. It is the sum of consciously or unconsciously shared basic assumptions, values, norms, principles, and guidelines. The business culture comprises the dimensions depth, prevalence rate, extent, and conciseness. It can be weak or strong, and it always underlies a lifecycle that requires a steady adaptation to the environment. Stefan Oefner-Py, Brigitte Fritschle, and Uwe Böning. “Der Erfolg der von innen kommt”, *Gablers Magazin*, No. 9, 1996: 14-18, 15, 18. Amt für Studien und Übungen, *Streitkräfteeinsatz 2020*, 97. Kem, “Military Transformation”, l.c. 91.

⁹² Masoud Yasai-Ardekani and Ralph S. Haug, “Contextual Determinants of Strategic Planning Processes”, *Journal of Management Studies*, Vol. 34, No. 5, September 1997: 729-765, 731.

approach that considers a wide range of possible (business) threats and opportunities is more suitable. This requires explicit, transparent, probabilistic reasoning and problem framing prior to any planning process. Planning must be expectant for the development of alternative futures.⁹³ The trial to create equilibrium can lead to the long-term failure, and the institutional death.⁹⁴ For the German Army, scarcity of resources will persist, and hyper-competition will be normal.⁹⁵ Within the given plethora of information, the Army Staff must be able to quickly react while simultaneously create a “holding environment” that eases uncertainty because the “bibasic logic of decision taking based on right/wrong categories dissolves”.⁹⁶ A singular, operationally directed and entrenched thinking, based exclusively upon the governance principles and along hierarchical lines does not address future problems. An inside-out scan should complement an outside-in approach⁹⁷. This allows for the simultaneous exploitation of environmental options and internal opportunities. This form of comprehensiveness and adaptability can institute endemic change and should become a part of the German Army culture.⁹⁸ Due to the absence of growth in material resources, the challenge for the Army Staff – in the same way as in the U.S. Army – is to boost internal creativity and overcome traditional linear thinking and resistance to directed change and

⁹³ Michael Fitzsimmons, “The Problem of Uncertainty in Strategic Planning”, *Survival*, Vol. 48, No. 4, Winter 2006-2007, 131-146, 132, 144.

⁹⁴ Wheatley, *Leadership and the New Science*, l.c. 76.

⁹⁵ J. Schell, *Zur Transformation der Bundeswehr aus ökonomischer Sicht*, Vortrag im Rahmen des Forum 2004 der Clausewitz Gesellschaft vom 04.11.-05.11.2004 beim Zentrum Innere Führung, 2004, 4. <http://forschung.unibw-muenchen.de/papers/m1g05h9wmpbfpamjj0l0g0xzqnqoo.pdf> (accessed 12 January 2008).

⁹⁶ Holm Gottschaich, “Neue Theorien und Methoden des Einstiegs in die Organisationsentwicklung”, *Bremer Beiträge zur Psychologie*, Reihe A, Universität Bremen, No. 113, 1996, 3.

⁹⁷ Rodney J. Turner, *The Handbook of Project-based Management*. (New York, London: McGraw-Hill Book Company, 1993), 4.

⁹⁸ Ibid, l.c. 3. Stanley F. Slater, “Learning to change”, *Business Horizons*, November/ December 1995, 13-19, 13.

waiver of additional employee incentives.⁹⁹ By exploiting the trend of individualization, this problem is solvable. A management model complying with macro-organizational limitations should provide for creativity within more “flexible” hierarchical structures, responsibility based on participation, and offer employees the opportunity for self-reflection.¹⁰⁰ Furthermore, a strategic management model should support counter-conformism – even in the traditional institution of the military and political realm. This requires special tasks and roles for leaders on the different management levels because “bad news” has to be “consumed” and processed without corporate bias.¹⁰¹ The next subsection will link these deductions with the concepts of organizational change and learning organization.

Change, Learning Organization, and Systemic Thinking

Change Management

Globalization challenges shape requirements for directed change and transformation. Although a unitary definition of both terms does not exist, transformation is about change and today’s hard facts of accommodating people, structure and culture as people struggle for continuity, in an uncertain and complex future.¹⁰² Transformation comprises a “learning and

⁹⁹ Paul Strebel, “Why do employees Resist Change?” *Harvard Business Review*, May/June 1996, 86-92, 96. Jamishid Gharajedachi, *Systems Thinking, Managing Chaos and Complexity*, (Boston: Butterworth Heinemann, 1999), 55.

¹⁰⁰ K. T. Das and B. Elango, “Managing Strategic Flexibility: Key to Effective Performance”, *Journal of General Management*, Vol. 20, No. 3, Spring 1995, 60-73, 60. Raymond E. Miles, Henry J. Coleman, and Douglas W. E. Creed, “Keys to Success in Corporate Redesign”, *California Management Review*, Vol. 37, No. 3, Spring 1995, 60-73, 60. Reiner Chrobok, “Zukunftsperspektiven des Organisationsberufs”, *Zeitschrift für Organisation (zfo)*, No. 3, 1990, 193-196, 195. Wheatley, *Leadership and the new Science*, l.c. 40, 66, 82.

¹⁰¹ Christopher Bartlett and Sumantra Goshal, “Wie sich die Rolle des Managers verändert”, *Harvard Business Manager*, No. 6, 1998, 79-90.

¹⁰² Richard Jeffress, *Leading Change: “A Model for Transformation Initiatives in Today’s U.S. Army”*, Monograph, (U.S. Army Command and General Staff College, Fort Leavenworth, Kansas: 2003), 1. David Jablonski, “Army Transformation: A Tale of Two Doctrines”, Conrad C. Crane (ed), *Transforming Defense*. (Carlisle: Strategic Studies Institute, U.S. Army War College, Carlisle Barracks,

adapting” and “shaping and anticipating” approach. The difficulty that the military faces with the transformation process is the dilemma between the organizational *raison d’être* – ensuring predictability and stability – and adapting simultaneously to an evolving environment. Managing change and leadership is an emphasis in contemporary business literature. In today’s scientific discussion on change, the focus points to non-linear approaches that disregard “clarity” and “routine”.¹⁰³ Organizational Development (OD) and the Learning Organization are two basic approaches to directed change from two scientific directions.¹⁰⁴ The OD approach builds on the logic of “equilibrium-disruption- transformation” and portends that equilibrium and harmony are the normal status for an organization, and can be disrupted by phases of eruptive transformation. This sequence is similar to the current major German Army reform. This means that change is a process with a beginning, a sequence, and an end.¹⁰⁵ However, looking at contemporary literature, evolution is the norm, with no finite state and no refreezing for equilibrium. Since change is about people and functions, this way of thinking calls for a “change of man” because people need to be encouraged to think and act beyond their own area of accountability (“out of

December 2001), 45-88, 45. J. B. Hodge, P. William, Lawrence Anthony, and M. Gales, *Organization Theory*, 5th ed., (New Jersey: Prentice Hall, 1996), 365-374.

¹⁰³ Heifetz, *Leadership without Easy Answers*. Heifetz and Linsky, l.c. *Leadership on the Line*. John P. Kotter, *Leading Change*, (Boston: Harvard School Press, 1996). Colin Carnall, *Managing Change in Organizations*, (New York: Prentice Hall, 1990). Winton et.al., *The Challenge of Change*, Norman Coates, “A Model for Consulting to Help Effect Change in Organizations”, *Nonprofit Management & Leadership*, Vol. 8, No. 2, Winter 1997, 157-163. Peter J. Reed, *Extraordinary Leadership*, (London: Kogan Page Limited, 2003). Bryan Leavy, “Symbol and Substance in Strategic Leadership“, *Journal of General Management*, Vol. 20; No. 4, Summer 1995, 40 to 53.

¹⁰⁴ Salvatore Belardo and Jackov Crnkovic, “Change and the Learning Organization”, Ralph Berndt (ed), *Unternehmen im Wandel – Herausforderungen an das Management – Change Management*, (Berlin, New York: Axel Springer Verlag, 1998), 41-58, 41, 42.

¹⁰⁵ The theory describes the triadic episode of “unfreezing-moving-refreezing” when change is to occur. A modified form of this model is the “punctuated equilibrium” model. It defines longer phases of intended non-learning, disrupted by short periods of dramatic change. Georg Schreyoegg and Peter Conrad, “Von der Episode zum fortwährenden Prozess. Wege jenseits Gleichgewichtslogik im Organisatorischen Wandel”, Georg Schreyoegg and Peter Conrad (eds.), *Organisatorischer Wandel und Transformation*, (Wiesbaden: Gabler Verlag, 2000), 33-62, 36. As cited by K. Lewin, “Group decision and social change”, E. E. Maccoby, T. M. Newcomb, and E. L. Hartley (eds.). *Readings in Social Psychology*, New York, 197-211, 210.

the box”). They must “deviate” from familiar working routines. In the context of military staffs, these groups comprise military leaders, the general officers as a group, directors, branch and assistant chiefs, the civil workforce, and external consultants. At this point, change becomes political and culturally driven. Here, the theory of the learning organization comes into play. The link between the OD- and Learning Organization approach is *Kotter’s* eight-step change theory for business enterprises.¹⁰⁶

The Learning Organization

Opposite from the Organizational Development model, the learning organization is a future oriented organizational model. A learning organization negates equilibrium since learning requires fluid internal boundaries and smooth transition between the internal and the external environment.¹⁰⁷ This approach takes organizations as dynamic entities that “act and enact their environments and transform both.”¹⁰⁸ While OD portions the organization, an integrative learning approach encompasses the whole. It incorporates systems thinking proposed in postmodern

¹⁰⁶ Kotter’s steps are “introduction of a sense of urgency, creation of a guiding coalition, development of a vision/strategy, communication of the strategy, empowerment of the employees, generation of short-term wins, consolidation of gains/more change, anchoring new approaches in the culture. Kotter, *Leading Change*, l.c.

¹⁰⁷ David W. Gravens, Gordon Greenley, Nigel F. Piercy, and Stanley Slater, “Integrating Contemporary Strategic Management Perspectives”, *Long Range Planning*, Vol. 30, No. 4, 1997, 493-506, 495-497. Thomas L. Wheelen and J. David Hunger, *Strategic Management and Business Policy Entering 21st Century Global Society*, 6th edition, (New York: Addison-Wesley Reading, 1998), 8. Thomas R. Hummel, “Internationale Personalentwicklung”, *Zeitschrift für Organisation (zfo)*, No. 3, 1993, 156-161, 168. Thomas Bertels, “Das Organisationsmodell der Zukunft”, *Gablers Magazin*, No.11-12, 1996, 53-55, 53. Ibid, “Management im Wissenszeitalter”, 36-38, 38. Peter Müri and Felix Oesch, “Verhaltensänderung ist das Nadelöhr aller Management Innovation”, *io Management Zeitschrift*, Vol. 64, No. 5, 1995, 59-64, 61. Martin Stadelmann and Wilfried Lux, “Hot Topics oder Kalter Kaffee? Aktuelle Managementphilosophien kritisch betrachtet”, *io Management Zeitschrift*, Vol. 64, No. 3, 1995, 32-35, 35. Rudolf Hagen, “Wie lernt das lernende Unternehmen?”, *zfo*, No. 4, 1997, 202-205, 203. Louise Kloot, “Organizational Learning and Management Control Systems”, *Management Accounting Research*, No. 8, 1997, 47-73, 48.

¹⁰⁸ D.Nicolini and M. B. Meznar, “The social Construction of organizational Learning: Conceptual and practical Issues in the Field”, *Human Relations*, No. 48, 1995, 727-746, 738.

complexity and chaos theory.¹⁰⁹ The underlying motto is “be the first to see, understand, and act to survive under the environmental conditions of globalization”.

Two concepts are relevant for this paper. The organizational theorist Peter *Senge* defines learning in organizations as continuous testing of the experience (history), and translating the latter into accessible knowledge. This requires new patterns of thinking and the free flow of collective aspirations. A shared vision, ability to scrutinize paradigms, preparedness for systemic thinking, promotion of team learning, and finally, personal mastery are disciplines leaders must optimize to ensure organizational learning.¹¹⁰ Applied to the German Army Staff, these disciplines will be necessary to propel a perpetual *Transformation* the goal of this paper. Strategic management provides the procedural context for these disciplines and room for thoughtful intervention (see Introduction) where the subsequent transformation steps are designed and acknowledged by political authorities, the armed service, and the joint force for implementation. Leadership based on these disciplines will ensure that each level in the Army Staff conducts critical thinking at every milestone of the *Transformation* program and bases decision on true participation and pro-active consensus.¹¹¹

For *Agyris* and *Schön*, organizational learning is adaptation to the environment, and the improvement of competencies through self-reflection before adaptation becomes crucial.¹¹² Learning takes place only if the “organizational theory in action” (individual learning), the

¹⁰⁹ Wheatley, *Leadership and the New Science*, l.c. 12, 38, 83, 139. Jamshid Gharajedaghi, *Systems Thinking – Managing Chaos and Complexity*, (Boston: Butterworth-Heinemann, 1999), 130. Axelrod, *Harnessing Complexity*, l.c. 22.

¹¹⁰ Peter Senge, Art Kleiner, Charlotte Roberts, Richard Ross, and Bryan Smith, *The Fifth Discipline Field Book*, (New York: Doubleday, 1994), 51, 47, 6.

¹¹¹ Antulio J. Echevarria, *Challenging Transformation's Clichés*, (Strategic Studies Institute of the U.S. Army War College, Carlisle Barracks, Pennsylvania: December 2006), 23-24. Pro-active consensus differs from the consensus based on the *Konsensprinzip* because the latter one is more about the absence of opposition rather than about active agreement.

¹¹² Rüdiger Reinhard, “Das Modell Organisationaler Lernfähigkeit und die Gestaltung Lernfähiger Organisationen”, Harald Geißler (ed.), *Bildung und Organisation*. Band 2, (Frankfurt a.M.: Peter-Lang-Verlag), 1993, 56.

“organizational espoused theory” (official, written, cultural artifacts of the organization, such as guidelines, doctrine), and the “theory in use” (behavior of the organization’s members) underlie continuous evaluation, decision, and change. This occurs in three loops: Single-loop-learning answers the question: Are we doing the things right (in compliance with our standards and values)? It aims at behavioral optimization with regard to existing guidelines. The double-loop addresses the question: “Are we doing the right things?” The goal is to adapt the existing standards and values to the changed environment. The organizational learning process often ends at this point since the loop often can embed a goal or value conflict that discharges internal vertical or horizontal conflicts. “Problem solving” occurs mostly along the organization’s dominant logic with “power from above” by either denying the necessity for change, or the “smallest denominator change”.¹¹³ Externally initiated, “last minute adaptation” happens, comparable to politically initiated change in armed forces. The “deuterio-learning-loop” asks the question: “Is our learning right?”¹¹⁴ It is learning to learn, intrinsic, internal innovation without external pressure. Here the theory merges with *Senge*’s ideas. Deuterio-Learning requires self-reflection and systems thinking with critical discourse about failures.¹¹⁵ Building the bridge to the military realm, practical problems emerge. Frequently, due to high personnel fluctuation rates, the

¹¹³ A dominant logic is set of conditions that describe the theory-in-use for strategic analysis and decisions. In the same way that beliefs about motivation and human behavior underlie a firm's choice of compensation and benefits to elicit desirable employee behavior, beliefs about competitive advantage, time, market conditions, and similar issues underlie a firm's choice of strategic moves to achieve long-term success. By assessing the logical underpinnings from which a strategic initiative is derived, leaders can make explicit the tacit knowledge that led to a particular recommendation. The dominant logic is a filter for all external and internal information. Like a “self-fulfilling prophecy” the “filtered information is incorporated into the values, the expectations and the strategy”. Cynthia A. Lengnick-Hall and James A. Wolff, “Achieving consistency of purpose”, *Strategy & Leadership*, Vol. 26, No.2, March-April 1998, 32-37, 33, 34.

¹¹⁴ Reinhard, “Das Modell...”, l.c. 67.

¹¹⁵ Discourse is a method to construct strategies of action by deliberately asking and ignoring questions. Discourse influences what coalitions are permissible, and it structures the opportunities to build intellectual justifications for actions. Groupthink is the antithesis of healthy discourse. Therefore, discourse should be based on candor and free yet mutually respectful competition of opposing ideas beyond a zero defects command climate that hampers learning. Moaddel Mansoor, “Ideology as Episodic Discourse: The Case of the Iranian Revolution”, *American Sociological Review*, Vol. 57, June 1992, 353-379, 359.

persons previously in charge are not available, they are not prepared to contribute, or a strong culture with deeply rooted standards (order/obedience) prevents critical reflection. Additionally, the higher the level of authority, the greater is the attachment to the dominant logic and more aligned the adherence to the status quo. This means, that an organization must be prepared to question its own theory and its control mechanisms. A strategic management model in the Army presents a synchronized influence on all three theories to provide a holding environment where standards adapt, the double-loop assesses progress, and the deuterio-loop confirms learning.

Complexity Theory, Systems Thinking and Integrated Emerging Strategic Design

Closely linked to the theory of organizational learning are complexity theory and systems thinking. *Senge* calls the latter the “Fifth Discipline” because it fuses his theory into one coherent body.¹¹⁶ Traditionally, strategy-making was to align the company with its environment. It was the notion of “fit” (OD-approach). However, this is suitable only for stable environmental changes. Unpredictability prevents effective alignment. Here, complexity theory and systems thinking come into play.¹¹⁷ They depreciate perfect alignment to the environment. They argue that only those organizations that are near the “edge of chaos” can effectively learn to adapt and finally survive under fierce environmental conditions.¹¹⁸ Two sets of ideas are relevant for this paper.

Wheatley, a leadership consultant and writer, considers self-organizing systems as a prototype for learning and managing in turbulent (globalized) environments.¹¹⁹ She proposes

¹¹⁶ Peter Senge, *The Fifth Discipline*, (New York: Doubleday, 1990), 12.

¹¹⁷ Systems Thinking comprises methods, tools, and principles that try to detect, evaluate, or influence the interrelated forces within systems and their cause-effect causality within a common process. The fields of cybernetics, chaos-, and quantum theory contribute with different techniques and tools for “process mapping”. The common idea is that systems behavior follows certain principles. Their nature is to be discovered and articulated. Senge, *The Fifth Discipline Fieldbook*, 89. Ludwig von Bertalanffy, *General Systems Theory*, (New York: George Braziller Inc, 1968).

¹¹⁸ Grove, S., Andrew, “Only the Paranoid Survive”, Lecture, (London: Harper-Collins, 1996).

¹¹⁹ This is a system where order automatically emerges from disorder. The idea behind is that a firm exists within a community of its external stakeholders and its internal “community” of preferences,

three conditions that make an organization a self-organizing one: (1) the capacity to define a strong identity, (2) an information strategy that allows unrestricted dissemination of knowledge, and closely linked with the latter, (3) manifold internal and external relationships beyond formalized communication flows. Leaders should design the underlying structure and build an atmosphere of trust to make the system work.¹²⁰ Applied to the Army Staff this means that superiors on every level can ensure innovation in their own area of responsibility as well as recognize and reward the ideas of their subordinates even where these ideas do not comply with the dominant logic of the system. A strategic management should create an opportunity complementary to formalized channels of communication where knowledge can freely interact and boost creativity.

Integrated and Emerging Strategic Design (IESD)¹²¹ is a cognitive process, which roots from the complexity school of thought. Thoroughly researched and tested in the U.S. Army during the Unified Quest exercise series, design of military campaigns occurs in the complex globalized environment. The aim is fundamental change in current practices and relations among commanders, their staffs, and political leaders.¹²² IESD tries to prevent solving future problems exclusively based on previous experiences (see Senge, Agyris & Schön). The process captures best ideas by iterative discourse across the hierarchical levels, and links the decision taking level to the planning level. The concept emphasizes problem framing and a design process which

relationships etc. (the dominant logic). Internal and external success emerges if the systemic nature of the internal, and external systems become clear, and when cause-effect chains can be triggered that lead to advantages.

¹²⁰ Wheatley, *Leadership and the New Science*, 146-154, 165, 166. Conrad C. Crane, "Beware of Boldness", *Parameters*, Vol. XXXVI, No. 2, Summer 2006, 88-97, 96.

¹²¹ Former "Systemic Operational Design (SOD)".

¹²² William Sorrells (LTC U.S. Army), Glen Downing, Paul Blakesley, Dave Pendall, Jason Walk, and Richard Wallwork, "Systemic Operational Design: An Introduction, Monograph School for Advanced Military Studies: Fort Leavenworth, 2005. De Czege. "Unified Quest 07 Postscript". U.S. Army School for Advanced Military Studies, *Executive Summary – Systemic Operational Design (SOD)*, November 2007, 1, 2.

comprise all strategic factors instead of a narrow, pattern-based planning and singular solutions to a mission. These features and the U.S. idea of a “Learning-Adaption-Cycle” that integrates IESD into the military decision cycle, recommend IESD as a platform for a strategic management model in the German Army Staff.¹²³

Strategic Management in Business and Military

Although the history of business strategy has some roots in military strategy and some strategic principles can be deduced, Western approaches are mostly detached from military thinking.¹²⁴ In the relevant scientific German business literature, there is a notion that the term “strategic” is inflationary, and used sometimes like a “smoke discharger” to veil basic problems.¹²⁵ The economists and business consultants *Wheelen* and *Hunger* state that business strategic decisions deal with the long-run future of the entire organization.¹²⁶ They are rare, consequential, demand a high commitment from people of all levels, and direct the organization’s future. Since the strategy links the organization’s core competence with its basic mission (see Senge), and requires a steady adaptation to the environment, change and learning is an imminent

¹²³ Huba Wass De Czege, “Unified Quest 07 Postscript 2: On Inserting Systemic Operational Design (SOD) Derived Ideas Into Army Doctrine”, in: Booz/Allen/Hamilton, Integrated Emerging Strategic Design, Participant Pre-Readings, Prepared for The School for Advanced Military Studies (SAMS) at the Combined Arms Center (CAC) and Fort Leavenworth, Kansas, June 2007, 1-30.

¹²⁴ Bernd Wildenmann, “Strategisch Führen und Veränderungen einleiten”, *Professionell Führen/ Empowerment für Manager, die mit weniger Mitarbeiter mehr leisten müssen*, 3rd edition, (Neuwied: Hermann Luchterhand Verlag, 1996), 194. Cited by: C. Pümpin, “Strategische Führung in der Unternehmenspraxis”, *Die Orientierung*, Vol. 76, SVB, Bern, 1980. Japanese approaches to strategic management are much more military: “In business as on the battlefield, the object of strategy is to bring about conditions most favorable to one’s own side, judging precisely the right moment to attack or withdraw and always assessing the limits of compromise correctly.” Kenichi Ohmae, *The Mind of the Strategist. Business Planning for Competitive Advantage*. (New York: Penguin Books, 1983), 13.

¹²⁵ Werner Neuss and Peter Nippel, “Was ist strategisch an strategischem Verhalten? Überlegungen und Präzisierung eines inflationär benutzten Begriffs am Beispiel von Investitionsentscheidungen”, *Schmalenbachs Zeitschrift für betriebswirtschaftliche Forschung*, Vol. 48, No. 5, 1996, 423-441, 423. Horst Albach, “Strategische Allianzen, strategische Gruppen und strategische Familien”, *Zeitschrift für Betriebswirtschaft*, Vol. 63, 1992, 663-670, 663. “Vogel-Strauß-Strategien”, *Zeitschrift für Betriebswirtschaft*, Vol. 61, 1991, 421-426, 421.

¹²⁶ Wheelen and Hunger, l.c. 18.

attribute of any strategic decision.¹²⁷ Hence, strategic management is a set of managerial decisions and actions that determines an organization's future performance, and deals with adapting the basic mission, objectives and major policies governing the use of resources.¹²⁸ Strategic management is neither a kind of decision cycle nor OD. It fuses industrial management with behavior and psychology to assure adaptability.¹²⁹ Here again, Clausewitz's paradigm of the *wunderliche Dreifaltigkeit* (wondrous trinity) can be applied:¹³⁰ The business strategy is one of the three corners of a "Magic Triangle", and in a close cause-effect relationship with the business culture and the structure – the other corners (Appendix 6).¹³¹ Consequently, sustainable change is only possible when all dimensions undergo an orchestrated and timely interdependent manipulation. Thus, the function of strategic management is to identify and implement creative ideas by affecting all corners of the "Magic Triangle". Senge's, Agyris & Schön's, and Wheatley's approaches can be positioned in the center of the triangle to interact on each of the other dimensions. However, they are the result of a strategic management decision. Hence, strategic management is integrated leadership.

In the organization, strategic management shapes an integrative three-level hierarchy reaching from the corporate strategy or "master strategy" (strategic level), via the business

¹²⁷ Kotter's third stage of organizational change is the development of a strategy. He states that a good vision provides an imaginable picture of the future in order to give change a clear direction, to give people a red thread in their work, and to motivate people to act into this direction. The strategy provides the logic and shows how the vision can be accomplished. Kotter, *Leading Change*, l.c. 68, 75. Markus Etzbach, *Empirische Bausteine für eine Theorie der Konzerne*, Dissertation, Universität der Bundeswehr, München, 2006, 140. Cited by: H. Hinterhuber and E. Krauthammer, *Leadership – Mehr als Management?*, 3rd edition, (Wiesbaden: 2001), 141.

¹²⁸ Peter M. Ginter and Andrew C. Rucks, "Can Business learn from Wargames?", *Long Range Planning*, Vol. 17, No. 3, 1985, 123-128, 124.

¹²⁹ Hans Ten Dam, "Strategic Management in a Government Agency", *Long Range Planning*, Vol. 19, No. 4, 1986, 78-86, 84. Colin Egan, *Creating Organizational Advantage*. (London: Butterworth-Heinemann, 1995), 5.

¹³⁰ Clausewitz, *Vom Kriege*, 1989, l.c. 213.

¹³¹ Peter Müri and Felix Oesch, "Verhaltensänderung ist das Nadelöhr aller Management-innovation", *IO Management Zeitschrift*, Vol. 64, No. 5, 1995, 59-64, 59.

strategy (operational level) to the tactical level strategy.¹³² Each level takes strategic decisions.

The upper normative management level addresses directional decisions (growth, stability, or retrenchment), portfolio questions (products and markets), and parenting problems (structure, decision-making, culture). The operational level refers to the improvement of internal processes as functional strategy determines how the different functions interact along the value chain.¹³³

Since interventions on each level will affect at least one of the corners, there should be interconnectivity among the levels.¹³⁴ Applied to the Army Staff, an integrative strategic management model ensures broad horizontal and vertical participation in order to prevent insular solutions in directorates, within the army, and the joint forces. The integrative effect of IESD could support a strategic management approach to effective thinking and acting.

For the Army Staff, two orientations of strategic management are relevant. While market strategic decisions seek to improve economic performance, the non-market strategy deals with the political, social, and judicial arrangements that shape the organization's relationship with its environment.¹³⁵ For the Army Staff, the first orientation is less relevant due to the absence of profit as the ultimate arbiter. The relevance of the latter is keen because it correlates with the

¹³² Gerry Johnson and Kevan Scholes, *Exploring Corporate Strategy*, 2nd edition, (New York: Prentice Hall, 1988), 9. Karen Giddens-Emig, "Selecting a Master Strategy", *The Journal of Business Strategy*, Vol. 7, No. 3, Winter 1987, 76-82, 77.

¹³³ Knut Bleicher, "Streitkräfte aus der Sicht der Managementlehre", Oswald Hahn (ed.), *Der Soldat als Ökonom*, l.c. 9-20, 12. In the Army Staff, this level comprises for instance decisions on future capabilities (directional), burden sharing or multinational capabilities specialization (portfolio). The decision to introduce a strategic management (parenting) would also fall in this scheme. A current example for operational level decisions is the integration of multinational elements into the European Battle Groups. A functional level example is how Army Troop Command – a provider of force multipliers (e.g. artillery, anti-aircraft assets) for the response and stabilization forces – can cooperate with the supported units along the intensity spectrum.

¹³⁴ Brigadier General Huba Wass de Czege, U.S. Army Retired, adopts in this context the "white water metaphor". It says that strategic choices cascade from the source in the mountains (master strategy), to the mouth of the river (tactical level strategies), and each set of rapids (operational level strategies) is a strategic choice point. Each "upstream" choice sets a context were the choice immediately "downstream" is made. De Czege, "Unified Quest 07 Postscript 2, June 2007.

¹³⁵ Michael Porter, *Competitive Strategy*, (New York: The Free Press, 1980). Idem, *Competitive Advantage*. (New York: The Free Press, 1985).

degree of pressure politics, or the level the public can exert pressure on the army. Hence, a non-market strategy could help the Army Staff to shape the external powers to the own favor.¹³⁶ This corresponds with the idea of the learning organization to enact on and to “co-create” an environment.¹³⁷

Literature reveals four pre-conditions in a governmental organization for strategic management that correspond to Heifetz’s and Wheatley’s theories:¹³⁸ First, to create preparedness and ability to adopt a “helicopter-view” beyond the comfortable limits of the own responsibilities. Second, and in close link with *Pascal’s* introductory quotation, instill a “spirit of desire”, and encourage openness for new aspects while suppressing the spirit of persistence.¹³⁹ Third, recognize the organization’s long-term orientation inherent to militaries. This aspect causes the complex conflict between steadfast military leadership and loyal behavior vis-à-vis the political leaders on the ministerial level.¹⁴⁰ The “gap” between short political mandates and the long-term effects of political decisions confine the adaptability of armed forces. Fourth, courageous leaders are necessary. They decide and champion the decisions throughout an organization to combat bureaucratic “red tape” and ambivalence to essential provisioning and programming for a ready military.¹⁴¹

¹³⁶ David P. Baron, “Integrated Strategy: Market and Non-Market Components”, *California Management Review*, Vol. 35, No. 2, Winter 1995, 47-64, 47, 48, 58.

¹³⁷ Wheatley, Margaret, *Leadership and the New Science*, l.c. 37.

¹³⁸ TenDam, “Strategic Management”, *Long Range Planning*, l.c. 79.

¹³⁹ Aspects of this condition are for instance market driven approaches that many armies have introduced, to build up internal customer-client relations and an active stakeholder management. Et.al: Philip Kotler, *Marketing Management*, (New York: Prentice-Hall, 1991), 701. John R. Hauser, Duncan I. Simester and Birger Wernerfelt, “Internal Customer Relations and Internal Suppliers”, *Journal of Marketing Research*, Vol. XXXIII, August 1996, 268-280, 268, 269.

¹⁴⁰ Eliot A. Cohen addresses the difficult relations between political leaders and soldiers in wartime, and he addresses, among others, the gaps in mutual understanding, and the differences in personality and background. The author assesses that this phenomenon is applicable to the business realm of armed forces. Eliot A. Cohen, *Supreme Command*, (New York: The Free Press, 2002), 2.

¹⁴¹ Reed, *Extraordinary Leadership*, l.c. 94.

A Strategic Management Model for Complexity and Turbulence

Literature in the private sector offers a number of strategic management models to address contemporary challenges and requirements. But a specific and usable “postmodern postscript” is not available.¹⁴² However, a derivative of the linear, rational “design model” is the basis for further considerations.¹⁴³ The process of “appraisal – strategy formulation – evaluation and choice – implementation” remains important in the strategic management discussions because it is a rational approach. In a military organization, only rational processes will be widely accepted.¹⁴⁴ Hence, an integrative management in the Army Staff must follow a logic pattern. A modified derivative (Appendix 7) accommodates the contemporary environment and learning organization aspects. The model consists of seven overlapping, steps:¹⁴⁵ (1) “Performance Appraisal”, (2) “External Appraisal”, (3) “Internal Appraisal”, (4) “Strategic Factors Summary”, (5) “Best Strategies Choice”, (6) “Implementation”, and (7) “Control and Evaluation”. The model

¹⁴² Different phases in organization theory came up with different strategic management approaches. Built upon the machine metaphor that the classical phase of organization theory used for an organization (Newtonian, hierarchical structures), the rational model of strategic management came up. It considers the organization as a tool in the hands of the manager who shapes the organization to achieve a predefined purpose. The model pretends stable and predictable environments, builds on action, and separates thinking (planning) from doing. The modern phase created the emergent idea of strategic management. It sees the organization as a “living organism” that only survives if it is able to adapt to its environment, and where the strategy emerges incrementally from this struggle for survival. This paradigm builds exclusively on organizational reaction. The symbolic interpretative phase, finally, uses the cultural metaphor for an organization, and emphasizes the power of symbols like business culture as bottom line for strategy development. The concept of the learning organization stems from this period. A specific strategic management school of thought for the post-modern period has not yet been developed but complexity and chaos theory writers create first ideas that built on fluent boundaries between the organization and its environment, and more and more federalized and even atomized internal structures (author’s assessment). Hatch, *Organizational Theory*, l.c. 119.

¹⁴³ The author presumes that this model is known. For further information see: Mintzberg, *The Rise and Fall of Strategic Planning*, l.c. 37. See also: Idem, “Rethinking Strategic Planning Parts I and II”, *Long Range Planning*, l.c. 13, 22.

¹⁴⁴ Hatch, *Organizational Theory*, l.c. 116.

¹⁴⁵ Choosing a strategy/change can be flanked by its implementation and vice versa. Analysis and evaluation will always be continuous processes that will overlap with the implementation of change. Sequencing the process is only for the purpose of this paper.

incorporates a number of tools for diagnosis (e.g. MOST, PEST, SWOT)¹⁴⁶ and is a synthesis of proposals from literature and the worldwide web.¹⁴⁷ This model has significant advantages compared to the “old” bureaucratic rational model. Although there is no focus on “planning”, the model designs strategic intentions for several possible futures that can be used selectively for later decision and implementation.¹⁴⁸ There are no planning cycles. Case-by-case application and dynamic use is possible.¹⁴⁹ This means that strategic thinking can take place throughout the year. The applied model can pave the way for the definition of “strategic inflection points” before “triggering events”¹⁵⁰ happen and a vehicle and engine for *Transformation* since it institutionalizes organizational learning.

The effective uses of tools like MOST and SWOT requires broad all-level participation. Consequently, middle-up mechanisms must complement the top-down and bottom-up

¹⁴⁶ MOST=mission, objective, strategies, tactics (policies), PEST (see above), SWOT=strengths, weaknesses, opportunities, and threats).

¹⁴⁷ Wheelen and Hunger, *Strategic Management...*, l.c. 8-22. Johnson and Scholes, Exploring Cooperative Strategy, 9-22. Quickmba.com. <http://www.quickmba.com/strategy/strategic-planning/>. (accessed 24 November 2007)

¹⁴⁸ Mintzberg speaks about “planning without engaging in planning”. *The Rise and Fall*, l.c. 32.

¹⁴⁹ Michael Porter, “Towards a Dynamic Theory of Strategy”, *Strategic Management Journal*, Vol. 12, 1991, 95-117. Henry Mintzberg, “The Design School: Reconsidering the Basic Premise of Strategic Management”, *Strategic Management Journal*, Vol. 11, 1990, 171-195. Horst Wolberg, “Von der statischen zur dynamischen Strategie: Mehr als nur ein Ziel”, *Gablers Magazin*, Vol. 9, No. 8, 1995, 40-43.

¹⁵⁰ Literature discusses an imaginary curve that connects the status quo of an organization with its future status. The strategic inflection point is the point on the curve where the initiation of change must occur if a timely redesign is still possible. Due to high environmental pressures in the globalized environment, he proposes that an organization should aim to identify an inflection point before triggering events happen. Searching for new inflections points is thus an essential component of transformation. Major General (retired) Scales says in this context, that the genius in future warfare is to find the right indicators (the inflection points) for change. Grove, “Only the Paranoid Survive”, Lecture, l.c. Scales and Robert, “Change during War: Contemplating the Future While Fighting in the Present”, John J. McGrath, *An Army at War – Change in the Midst of Conflict*, (Fort Leavenworth: Combat Studies Institute Press, 2005), 1-21, 2. With regard to “triggering events”, see Wheelen, *Strategic Management*, l.c. 17. Typical triggering events in the profit business are a new CEO, investment decisions, new technologies, performance gaps, danger of a take-over, changes in the environment that impact procurement, demand, sales, or the organization’s public acceptance. Like “industry breakpoints”, and RMA (see above), most triggering events are externally initiated paradigm changes and – if possible – should be anticipated.

processes.¹⁵¹ In the context of this paper, the middle level comprises the [assistant] branch chiefs and comparable representatives of German Army Forces Command (GARFCOM) and TRADOC. Despite the postmodern debate about the usefulness of Newtonian structures in today's environment, top-down processes will hardly disappear in the military business realm because hierarchy still has its merits.¹⁵² The model requires that the military top-management leader to define a vision. The vision initiates the change process, whereas strategies and change ideas can come from everywhere in the organization. Strategic thinking can take place through the whole organization.¹⁵³ This complies with the different levels of strategic management. The underlying across-level interactions invite a number of shared ideas for a number of possible futures.¹⁵⁴ This enlarges the choices. This is a precondition to respond more effectively to complexity.¹⁵⁵ The model integrates the three organizational levels (strategic to tactical), and the internal and external

¹⁵¹ Des Dearlove, "Strategy's dirty secret", *MBA-The Magazine for Business Masters*, Henley on Thames, Vol 1, No. 3, February 1998, 42-46, 46, cited by Bill Woolbridge and Stephen Floyd, *The Strategic Middle Manager*, (New York: Jossey-Bass, 1996).

These issues are the crucial link between the "design model" and today's requirements. The initiation of change and the development of new strategies occur where the need emerges (emergent school of thought). The strategies influence thinking on the other levels where supporting strategies (ideas, procedures) emerge (symbolic-interpretative school of thought). The top management has an arbitrary function and supports organizational learning. Either it develops a master strategy to react based on the upstream information or it re-schedules down-stream, or it only protects the creative space that is necessary for the lower levels to remain adaptive (systems thinking and holding environment).

¹⁵² Axelrod, *Harnessing Complexity*, l.c., 74, 74. Gharajedachi, *Systems Thinking*, l.c. 3-23. Wheatley, *Leadership and the New Science*, l.c. 27-47.

¹⁵³ Heifetz and Laurie even state that the notion that leadership consists of having a vision and aligning people to the vision is bankruptcy. Reed, *Extraordinary Leadership*, l.c. 131, cited by Heifetz, R., Laurie, D, "The work of leadership", *Harvard Business Review*, January-February 1997. The author wants to stress that in a military hierarchy the ultimate vision for an army results from political guidelines (e.g. White Paper, DPG). The respective military top management stands for the army and needs to represent this vision.

¹⁵⁴ This aspect addresses elements of the symbolic and interpretative phase of strategic management, and systemic thinking as an ingredient of the postmodern phase of organizational theory. Given massive shifts in the environment that do not match with an organization's experiences, a strategy can serve as a symbolic and sense giving facilitator. Like a beacon in the fog, it can re-initiate pro-activity within the organization. This can generate tangible outcomes that can support problem understanding and coping with the surrounding complexity.

¹⁵⁵ Rainer Feurer and Kazem Chaharbaghi, "Dynamic Strategy Formulation and Alignment", *Journal of General Management*, Vol. 20, No. 3, Spring 1995, 76-90, 89.

environment.¹⁵⁶ The alignment of perceptions and interests is attainable. A common internal language with stakeholders can emerge, unity of purpose is possible, and organizational effectiveness can improve.¹⁵⁷ IESD can support, guided discussion and discourse can occur, good ideas can be developed, and best practice can find official consideration. Finally, a conversion of the organizational theory in use into an espoused theory and organizational learning is possible.

Deductions and Summary

This section answers the question on the importance of strategic management in today's economic context and its contribution for the success of enterprises. With direct reference to the military realm, research confirmed that the external challenges that globalization poses on private organizations apply for the German Army Staff too. The necessity of top management's commitment and the workforce's participation and creativity input for continuous change and learning should be obvious. The derivative strategic management model can provide a holistic and guiding framework for integration. It incorporates tools that help to structure the problems and supports learning. Unfortunately, the concept does not address systemic thinking, and the culture corner of the "magic triangle" could challenge its broad military acceptance.

Before presenting a hybrid model of strategic management, which incorporates these weaknesses and presents a feasible solution for the Army Staff, the next section will elaborate beyond the macro organizational limitations, the main micro-organizational differences, and between private organizations and the Army.

¹⁵⁶ Heinz Benölken and Peter Geipel, "Strategische Unternehmensentwicklung", *zfo*, No. 1, 1989, 15-24, 16. Sal Kulkalis, "Determinants of Strategic Planning Systems in Large Organizations: A Contingency Approach", *Journal of Management Studies*, Vol. 28, No. 2, March 1991, 144-159, 156.

¹⁵⁷ Carnall, *Managing Change in Organizations*, l.c. 1-3, 70-75. Yves Doz and K. C. Prahalad, "Patterns of Strategic Control within Multinational Cooperations", *Journal of International Business Studies*, Fall 1984.

Strategic Management Design in the German Army Staff

Military Characteristics – The German Army Staff and the “Magic Triangle”

“The only thing that is harder than getting a new idea into the military mind is to get an old one out”.¹⁵⁸ This results from the two essential differences between military and civilian organizations, (1) the military’s ultimate *raison-d’être*, the war-fighting role that causes a high level of coercion, (2) the military’s dual nature, the parallel of vocational profession and hierarchical bureaucracy.¹⁵⁹ The first feature aims at efficiency and predictability vis-à-vis the taxpayer and the government (stakeholders). It favors repetitive processes and close supervision that builds on mistrust. It rejects supporting adaptive behavior, creativity, and rewards for intellectual curiosity.¹⁶⁰ The second feature incorporates virtues of the soldier ethic such as fast adaptation to new situations, risk-friendliness, and creativity. On the ministerial level both natures “collide” because, some challenge- and career-oriented general staff officers must work together with specialization-oriented civil servants. Both natures are unavoidable because they are a feature of the German system of check and balances. A strategic management should aim at uniting them by balancing their strengths and weaknesses to favor both “product stability” and organizational adaptability. Therefore, an analysis of the German Army Staff along the corners of the “magic triangle” should reveal those factors, which can discriminate the military business realm and profit enterprises in general, jeopardize self-initiated change in specific, and those factors that offer exploitable potential. To prove their usefulness in the military context, the

¹⁵⁸ As quoted in Robert Debs Heinl, Jr., *Dictionary of Military and Naval Quotations*, (Annapolis MD: United States Naval Institute Press, 1966), 190.

¹⁵⁹ Snider, *The Future of the Army Profession*, l.c. 13. Cottey, Forster, and Edmunds. “The Armed Forces and Society”, l.c. 5.

¹⁶⁰ Snider, *The Future of the Army Profession*, l.c. 114

mission-objectives-strategy-tactics (MOST)- and the strengths-weaknesses-opportunities and threats (SWOT)-analysis tools will be applied as typical strategic management tools.

The “Magic Triangle” – (Strategic) Management Corner

From an economic perspective, the German Armed Forces are a heterogeneous organization that consists of more than 100 enterprises.¹⁶¹ The Army comprises the largest part of this military service enterprise (*Unternehmen für militärische Dienstleistung*¹⁶²) that combines factors of personnel and equipment in training and operations for the nation’s external security.¹⁶³ The Army Staff supports the Chief of the Army, the Chief Executive Officer, by evaluating initiatives, preparing decisions, and transposing them into ministerial directives and guidelines. Despite huge micro-organizational differences, the most urgent problems are economic in nature.¹⁶⁴ Typical economic differences from civilian enterprises are output intangibility, lack of immediate client influence (populace, taxpayer) via a market price, and the authorization of the government to direct change in internal management. Finally, there is no profit as the ultimate performance metric and there is the absence of any form of market. The financial resources that fuel the factor combination flow in the form of an annual allowance of subsidies and reflect an artificial source of survival.¹⁶⁵ Resource allocation occurs via mechanistic, annual “basic financial planning” which reflects an archaic form of strategic planning¹⁶⁶. The subsidization of

¹⁶¹ Walter Groth, “Streitkräfte als Wirtschaftsbetrieb”, Oswald Hahn (ed.), *Der Soldat als Ökonom*, l.c. 59-68, 60. Jaehrig et al., “Auffassungen Prof. O. Hahns...” l.c. 64-74, 65. Johannes Gerber, “Militärökonomie der Bundeswehr”, in Bradley et.al., *MARS Jahrbuch*, l.c. 391-416, 395.

¹⁶² Gerber, “Militärökonomische Analyse”, *S+F*, l.c. 34-38, 37.

¹⁶³ Manfred Opel, *Überlegungen zur künftigen Struktur der Bundeswehr*, Skript, Hamburg, 26 March 1998, 6.

¹⁶⁴ Norman Flynn, *Public Sector Management*. 3rd ed, (London: Prentice-Hall, 1997), 39, 231.

¹⁶⁵ Strassmann and Schueller, “Ansätze zur Erforschung ...”, l.c. 202.

¹⁶⁶ Gluck, Kaufmann, and Walleck defined phases of strategic planning through which a firm generally evolves: Phase 1: Basic financial planning based on annual budgets, projects proposed with respect to information coming from within the organization, annual time consuming simplistic operational

intangibilities leads to tensions between economy and security, and describes the central problem in the labor intense Army. A discrepancy exists between decreasing financial funds and increased mission related financial need.¹⁶⁷ In its extreme, a strategic management model would have to replace archaic financial planning systems. However, the *Bundeshaushaltsordnung* (Federal Budget Regulations) prescribe annual basic financial planning. Hence, challenging these regulations is not possible. Therefore, integrative management in the Army Staff must offer the opportunity to intervene proactively into the annual budget cycle following the motto of the learning organization: define the need faster, more precisely, and win the competition to optimize long-term mission effectiveness.

In bridging the financial and defense planning process, it is of importance to stress that a civil administration with civil servants that are embedded in the service staffs implement the German defense budget. This can pose the danger of building procurement decisions on emphasizing resources rather than mission effectiveness. The main issue is a separation of the formulation of a need and its coverage. Under SWOT-considerations, this is a significant weakness. The German fiscal accounting determines the defense planning process which is sustained by the three key players: the legislature (Bundestag), the Cabinet (Government), and the FMoD.¹⁶⁸ This process is politically controlled and politico-civil-militarily operated as well, to

planning, and adaptation of ideas to the budget. Phase 2: Forecast-based 3-to 5-year-plans that incorporate environmental data. Time-consuming political processes describe the competition for larger budget shares. Phase 3: Externally orientated planning. The management takes control of the planning process, the planning staff, sometimes supported by consultants, conducts planning. Thinking and doing, formulation and implementation are still separated functions. Phase 4 is the integrated approach that this paper proposes. Wheelen and Hunger, *Strategic Management*, l.c. 3, cited by W. F. Gluck, P. S. Kaufmann, and S. A. Walleck, "The Four Phases of Strategic Management", *Journal of Business Strategy*, Winter 1982, 9-21.

¹⁶⁷ E. König, "Militärökonomie in Österreich: Bestandsaufnahme 1990", *Militärökonomie in Zentraleuropa 1990 - Eine Bestandsaufnahme*, Festschrift zum 65. Geburtstag von General Günter Kießling; Erlangen/Bonn/Wien 1990, 55. Mathias Gollwitzer, *Hierarchie im Heer aus betriebswirtschaftlicher Sicht*, Erlangen 1992, 1.

¹⁶⁸ These elements are interrelated and influenced by the populace. The Bundestag as a sovereign body determines the fundamental features of policy and passes laws. It does so through a number of

ensure that defense planning and political premises correspond. The planning starts with the “establishment of long-term goals” (MOST), which are manifested in the *Bundeswehr* and service concepts, which express the armed forces strategic mission (MOST).¹⁶⁹ Containing analysis of the most probable future missions and environments, long-term goals stipulate capabilities. “Realization planning” accompanies the above financial planning process as a parallel annual cycle (MOST). It assesses if and how the realization of long-term objectives is achievable.¹⁷⁰ The directorates are responsible for the implementation of the planning results. The CHOD and the Service Chiefs exercise the implementation control. The way they do it and the way they act within the overall planning process is incumbent on the services (MOST). From this allowance, the Army is free to change its internal MOST-setting as long as it complies with the macro-organizational limitations.¹⁷¹ Such applies congruently to service initiatives within the *Transformation* process and the theoretical avoidance of insular change concomitant with relative service independence. These strengths (SWOT) could make an Army strategic management suitable. Weaknesses must be addressed such as the absence of the “profit” arbiter that can lead to a multitude of organizational objectives dependent on the resource provider. This dispersion can exacerbate the formulation of a simple top-management vision in the parliamentary army.¹⁷² Lack

committees among which the Budgetary Committee and the Defense Committee are significant for the military planning. The Cabinet discusses bills prior to submission to the Bundestag and coordinates long-term and day-to-day policies and politics. The FMoD is responsible for the implementation of military policy and the defense budget.

¹⁶⁹ See Subsection 2: The concepts derive from the political policy documents, e.g. the 2006 White Paper, the DPG. The latter is to provide for planning predictability, they are to permit coordinated planning, and outlast short-term political events.

¹⁷⁰ Annual planning is to permit short-term corrective action to ensure flexibility to react on changes in the security situation or resources.

¹⁷¹ The corporate MOST-setting is determined by the planning-, the governance principles (MOST), and the principle of consensus and writing (MOST) as depicted in section two. The army can formulate its own mission statement (MOST), can derive objectives (MOST), define policies (MOST), and internal processes (MOST) how to realize them.

¹⁷² In a parliamentary democracy, diverging notions of government, opposition, and other stakeholder (military-industrial complex, populace) with respect to armed forces can hamper a unitary and clear vision for their use.

of one clear vision and numerous resource constraints can limit decisive action toward internal change initiatives by senior leaders, and offers the opportunity of political maneuvering for personal ends at all levels.¹⁷³ Strategic Management requires broad participation and holistic openness. This openness uncovers “political” waiting out and puts pressure on those who have to prepare and take decisive action.

Three further discriminating factors touch the cultural vertex and connect the intangibility of output, the budgetary, and the planning process. Military and civilian staff workers enjoy having tenure. Favorable financial accommodation and absence of peacetime operational failure make it difficult to create a sense of urgency for change and to unfreeze the internal environment in preparation for the next *Transformation* step. A general lethargy may exist where civil servants are comfortable with their personal status quo. In the absence of real national military high-intensity engagements, this attitude can lead to what U.S. military literature expresses as the “death” of the professional military vocation, which can give way to dominance of obedient yet bureaucratic behavior. This will adversely affect the operational readiness of the military as a whole.¹⁷⁴

There are no rewards for successful change initiative and improved effectiveness in the military because rigid career schemes determine income. Any additional personal commitment is voluntarily. Even more efficiency can pose a threat if required funds are deducted from the next budget for investment elsewhere in the government.

Finally, there is a difficulty to raise financial funds for investments in immaterial change. The nexus of “budget and equipment” dominates thinking about *Transformation* because it is easier to raise money for gadgets than for new processes. Moreover, the “savings-first-and-

¹⁷³ Wheelen, *Strategic Management*, l.c. 311.

¹⁷⁴ Snider, *The Future of the Army Profession*, l.c. 16.

change-funded-by-the-savings” attitude is usual, and contradicts Kotter’s short-term wins requirement.

These factors mitigate against change and they represent a weakness that a strategic management model must address. This occurs by providing a forum that empowers and motivates people on all levels to contribute to the overall process. Common framing the ultimate problems and engagement in critical discourse about the next *Transformation* step is possible. A regular and collective supervision and readjustment of the MOST-setting can happen.

The “Magic Triangle”- The Culture Corner and the Learning Organization

What kind of culture is dominant in the Army Staff and what are the peculiarities? What are the SWOT factors that support or hamper a learning organization? Where are footholds for a strategic management model? This subsection is about culture change in the Army Staff.

Handy defines three different basic organizational types of culture: the role-, task-, and power culture.¹⁷⁵ The role- and the task-culture are relevant in the ministerial military business realm. Strategic management could complement both cultures in the Army Staff.

The dominance of the different culture types in enterprises and public service makes the difference. The features of the role culture are stability, prescription, rules, and standards. The role culture is often stereotyped as bureaucracy. Therefore, it is the typical culture of financially accommodated public enterprises. However, from the perspective of an organizer, this culture is only efficient in stable environments. It makes the individual define himself through his function and requires – and affects – high levels of professional commitment with entrenching effects.

Position power is predominant and expressed by military artifacts. The governance principles

¹⁷⁵ Charles Handy, *Organizations*. 2nd ed., (Harmondsworth: Penguin, 1984). The power culture is the culture of small, growing enterprises, which are highly dependent on one or more strong leaders. There is central control. Decision taking occurs based on influence but not based on rational grounds. Such organizations are highly adaptable to rapid change but the quality of top-management is crucial. Every individual must be power-oriented, risk-taking, and politically skilled because accountability is personal and direct.

promote this type of authority and responsibility. Role culture is the “organizational theory-in-use” of the Army Staff. Functional responsibilities are widely branched, minimized for the individual in order to avoid individual and collective loss of relevance. Often, areas of accountability which emerged over time do not accept contemporary and future tasks.¹⁷⁶

Competition on the micro level emerges that can reduce the power of the whole. Information flows via selected individuals along multiple hierarchical levels in highly constricted channels. Communication occurs based on structures, and tends to happen sometimes incidentally, depending from source.¹⁷⁷ Occasionally, “knowledge-is-power-strategies” of main players in a cultivated political setting hamper organizational learning. Acquiring new individual knowledge, the “organizational theory-in-action” (individual learning) and precondition of a learning organization is difficult. The tendency to act like a closed system and to concentrate on internal procedures contradicts the PEST deductions. General Ulrich de Maiziere, a former German CHOD, stated concern about the “fixation to inherited traditional conceptions” and the “inertia of existing structures”.¹⁷⁸ These factors culminate in staff ponderosity and have a polarizing stagnant effect vis-à-vis the operational army’s flexibility.¹⁷⁹ Instruments for “single-loop” learning are available but not effectively used, while effective “double-loop” learning tools or “deuterio” tools are missing from a strategic management process.¹⁸⁰ At this point, a “balanced

¹⁷⁶ Günter Schwarz, “Change Management im Rahmen des Transformationsprozesses der Bundeswehr“, Gerhard, Reeb, Transformation der Streitkräfte, l.c. 103-108, 106.

¹⁷⁷ Ibid.

¹⁷⁸ Ulrich De Maizière, “Verteidigung in Europa Mitte“ *Wehrforschung aktuell*, (München: Lehmanns Verlag, 1975), 75.

¹⁷⁹ Schwarz, “Change Management...“, l.c. 106.

¹⁸⁰ Jörg Keller, *Lernende Organisation Bundeswehr. Möglichkeiten der Gestaltung einer Organisation des Lernens*, (Führungsakademie der Bundeswehr, Hamburg, 2001), 36.

scorecard” tool, used effectively, could be an adequate “double-loop” tool.¹⁸¹ Strategic management could optimize “deuterio” tools and single- and double-loop learning.

Before addressing the task culture as the necessary complement of the role culture, a review of Army service culture could alleviate the effects of the role culture.¹⁸² In this context, three strategic factors are crucial for self-initiated change in the Army Staff: the tolerance toward dissent, the level of education, and the concept of *Innere Führung*.¹⁸³ Encouraging debate, discourse, and “balancing dissent with the ever-present requirement for discipline and obedience” are essential.¹⁸⁴ The “principle of consensus” and the current way to communicate are critical weaknesses. The high level of academic education and spirit of life-long learning that general staff trained officers incorporate are essential strengths. While this provides a significant contribution to an organizational knowledge base, a lack of insight seems apparent on the importance of effective knowledge management. The result is cognitive filters that lead to dysfunctional dominance of internal experiences over external information gathering.¹⁸⁵ The PEST-tool can overcome these serious limitations. Taking Agyris and Schön’s concept of

¹⁸¹ Susanne König and Mette Rehling, “Zur Übertragbarkeit der Balanced Scorecard auf ein zukunftsgerichtetes Personalmanagement der öffentlichen Verwaltung”, *PerMit Diskussionspapier*, (Oldenburg: Carl-von-Ossietzky-Universität, August 2002), 6, 8, 10.

¹⁸² The service culture constitutes the army. It comprises organizations and processes for doctrinal development, professional circles where debate can occur, personalities of key leaders and reformers, the military education system, simulations, war games, and exercises, the branches, and the way operations and contemporary missions are evaluated. It is a complex aggregate of attitudes toward a variety of issues including the role in war, the promotion system, the relation to other services, and the place in the society. Winton, *The Challenge of Change*, l.c. xiv.

¹⁸³ The concept of *Innere Führung* was developed between 1951 and 1961 and is the collectivity of unwritten and written rules, guidelines, and directives that determine self-conception, behavior, and the relationship of the German armed forces with the civilian environment. The concept’s goal is to implement the values of German Basic Law into military leadership, education, and training. *Innere Führung* serves to integrate the armed forces into the society based on the idea of the “citizen in uniform”. Ekkehard Lippert, *Innere Führung, Materialien zur Karriere eines Themas*, München, 1994, 3.

¹⁸⁴ Ibid.

¹⁸⁵ H. Wiesenthal, “Konventionelles und unkonventionelles Organisationslernen”, *Zeitschrift für Soziologie*, Vol. 24, No. 4, April 1995, 151.

organizational learning as a criterion, evaluation might determine that the staff's "organizational theory-in-use" hampers self-initiated learning.

Contrary to role culture, the typical task culture for de-centralized enterprises emphasizes experience as the basis to carry out a task or a mission. This is a fundamental prerequisite behind "mission command". The task culture places demands on people as the role culture does, but assures a merger of organizational and individual objectives in changing circumstances toward a common aim. Focusing on needs and tasks and not on procedures empowers a culture that is more capable to constant change of a globalized environment.

Task culture requires five organizational criteria:¹⁸⁶ (1) *Management autonomy* is required as far as the reward system is concerned. This does not directly apply in the Army Staff with a rigid career and salary system. However, indirectly some autonomy exists, based on the officer evaluation reports. At this point, a new threat to change arises. "Elder" senior peacetime leaders, themselves a product of a pre-globalization culture can boost subordinates, who cause the least innovative perturbations and conform to the existent systems. Such bureaucratic behavior can hinder or halt change and transformation. This issue falls into Senge's leadership disciplines which require testing of new mental models and personal mastery such as empathy. The necessity for cross-level communication free from role accountabilities, which a strategic management requires, can reinforce and initiate transparency of military leaders as to the capabilities of their workforce with direct and unfiltered contact opportunities. This can encourage leaders to assess critically, in Senge's words, their current mental model in the realms people, purpose, and future needs.

(2) *Interchangeability* is the movement across specialist/professional boundaries to enlarge individual and collective knowledge and experience and is the second criterion for a task culture. It is opposite to the entrenched accountabilities in the Army Staff. In terms of a learning

¹⁸⁶ Carnall, *Managing Change*, l.c. 113.

organization, interchangeability is necessary to reinforce individual and organizational creativity and knowledge. In order to implement this criterion in a role culture, accountability boundaries must soften. At this point, Wheatley's theory and IESD become crucial. Combined with a strategic management model, flexible structures, besides the formal Army Staff structure seem possible. This virtual structure should protect its members from the ties of functional loyalties. It can soften formalized information flows and reinforce the emergence of relationships within and between project teams or working groups, cross-functionally and across the hierarchical levels. Based on free discourse and without the pressure of departmental or branch position-taking, noninterference with the role structure is encouraged and collective knowledge improves. Interconnected with the interchangeability criterion are two further criteria: the (3) *openness* or public testing of problems and issues, and the (4) *free flow of information* based on information technology.

Finally, (5) *focusing functional and professional advice* to special task teams such as transition teams can improve the opportunities for change and can increase effectiveness of those having to deal with it. Looking at the Army Staff, two aspects are important. Just as difficulty occurs in gaining preliminary funds to finance change, dedicating experienced people exclusively outside their function and give up control over them is contentious. Toleration of "unprecedented levels of messiness at the edges"¹⁸⁷ of the Army Staff is difficult for ministerial leaders to bear. Therefore and against the advice in literature, change management on the ministerial level is usually a task added to normal work.¹⁸⁸ The "can-do" work ethic of ministerial, fast-moving,

¹⁸⁷ Wheatley, *Leadership*, l.c. 69.

¹⁸⁸ For instance, Kotter proposes to build a guiding coalition, others propose the establishment of "rites of renewal" that comprise problem-centered task forces and empowering "rites of integration" to conduct cultural change. J. Kotter, "Leading change: why transformation fails", *Harvard Business Review*, Mar/Apr 1995, 61.
<http://web.ebscohost.com/lumen.cgscarl.com/ehost/pdf?vid=3&hid=112&sid=9f04ce97-c6a9-4e9e-9677-8b8c320d61fd%40sessionmgr106>. (11 December 2007). Johnson, *Exploring Corporate Strategy*, l.c. 311,

military officers regularly supports this approach.¹⁸⁹ Case-to-case strategic groups with their own identity that report to a designated senior leader could overcome this problem.

Are there other cultural strategic factors that a strategic management model could exploit to merge the dominant role culture with a task culture? Many observers consider the concept of *Innere Führung* the organizational culture of the German Armed Forces. However, applying Agyris and Schoen's theory, this might be only the Army Staff's "espoused theory". The concept does not apply to the civil servants in the military environment. In terms of the concept, the German Armed Forces are supposed to be open for developments in the society, to accept the pluralism of its members concerning their political attitudes (*weltanschauung*), and to actively deal with these subjects. The *Innere Führung* expressly accepts and promotes dispute about and conflict within the organization. For that purpose, the *Zentrale Dienstvorschrift (ZDv)* (central directive) 10/1 arranges information for military personnel on a regular basis (*Truppeninformation*). They serve to enable the "citizen in uniform" to form an opinion as the pre-condition for his self-determined, politically responsible acting in line with the mission. This is *sine qua non* for "mission command", the German leadership principle, and command philosophy of the information age.¹⁹⁰ The author strongly assesses that for four reasons the *Innere Führung* can enable and empower a "double-loop learning": (1) It facilitates an internal discussion about organizational values and norms (Are we doing the right things vis-à-vis environmental change?). (2) It requires across-level personality development based on

cited by H. M. Trice and M. J. Beyer, "Using six organizational rites to change culture, H. R. Kilman (ed.), *Gaining Control of the Corporate Culture*. (New York: Jossey Bass, 1985), 74-375, 375.

¹⁸⁹ Derrick Neal and Trevor Taylor, "Spinning on dimes: the Challenges of introducing transformational Change into the UK Ministry of Defence", *Strategic Change*, Vol. 15, Jan/Feb 2006, 15-22, 20.

¹⁹⁰ Bundesministerium der Verteidigung, *Innere Führung, ZDv 10/1*, Bonn 1993, Ziff. 365. David Potts, "The Big Issue: Command and Combat in the Information Age", *The Occasional*, The Strategic and Combat Studies Institute, No. 45, March 2002, 41-49, 47.
http://64.233.179.104/scholar?num=100&hl=de&lr=lang_de&lang_en&q=cache:sq8CZ4AbPPEJ:www.scsi.ac.uk/documents/45.pdf+change+management+transformation+Bundeswehr. (accessed 12 December 2007).

participation within an *Innere Gefüge* (military fabric) and (3) within politically and societal integrated Armed Forces.¹⁹¹ (4) The ZDv 10/1 provides space for cooperation, based on free cross-level communication that increases the importance of information as a competitive factor.¹⁹² The reduction of individual and organizational information deficits and the provision of individual knowledge into the Army's knowledge base could emerge. Bringing the "theory in action", "theory in use", and "espoused theory" together, could be possible. Currently, a strong organizational-theory-use seems to hamper such a direction.

Therefore, the concept of *Innere Führung* is an essential strength and strategic factor (SWOT) that a strategic management model could optimize. The concept could be the basis for strategic management because it matches with a number of requirements that the learning organization and change theories identify. It is the pre-condition for two of Senge's leadership disciplines – shared vision and team learning – for Kotter's strategy communication, and employees empowerment account, and for Wheatley's claim for free dissemination of knowledge. Moreover, *Innere Führung* and discourse based IESD match perfectly.

Army Staff culture imposes both strengths and weaknesses on the capability for true *Transformation*. A strategic management model should leverage the *Innere Führung* in a way that learning becomes probable.

The "Magic Triangle" - The Structure Corner

A quick analysis of the structure starts with the statement that there is no doubt about the usefulness of a hierarchy for a complex military organization. However, two aspects spotlight the differences between modern civilian corporations and the Army Staff. While corporations have

¹⁹¹ ZDv 10/1, l.c. Ziff. 201 and 212. Ulrich Ott, *Lean Management – Zauberwort für zeitgemäße Gestaltungsphilosophie und Organisationskultur auch für die Bundeswehr? Möglichkeiten und Grenzen beim Sprung in das nächste Jahrtausend*. Hamburg, 1998, 27.

¹⁹² Klaus Esser, "Information als Wettbewerbsfaktor. Fünfzigster Deutscher Betriebswirtschaftler Tag", *Gablers Magazin*, No. 1, 1997, 6-8, 6, 8.

reduced the hierarchical levels since the 1950s, military management has its basis in deep structured pyramids, rank, deference, and pay structures of a bygone time.¹⁹³ Despite being a staff within a divisional organizational structure, the Army Staff organizes about 200 staff officers and civil servants in six directorates, nineteen branches, and along five hierarchical levels (Appendix 8). The second aspect is the biannual rotation rate of the military officers. Taking the natural reluctance of successors to implement ideas of predecessors and considering the ability for the civil servants to stall their military partners' ideas exemplifies the term "ponderosity".¹⁹⁴

Strategic management should have a flattening and connectional effect by unifying horizontally and vertically and through the personnel systems.

Thoughts about the Usefulness of Strategic Concepts and Techniques

Based on the deductions and aspects of analysis in this paper (Appendix 9) the usefulness of strategic management in the Army Staff requires one precondition. There should be a clear differentiation between leadership on operations (military leadership in the narrow sense, based on order and obedience) and in business realm. The business realm should work with processes that allow for horizontal teamwork within task-oriented networks, and project management while recognizing the macro-organizational framework. This comprises countering fragmented responsibilities, and promotes more freedom of action of the individual. A strategic management can frame these processes in respect of the concept's three-level hierarchy. The economic features of the Army Staff exclude those tools that exclusively refer to market-, industry-, or profit-related competitor analysis.¹⁹⁵ On the normative level, all questions, analysis and implementation tools and instruments that address directional strategy in the dimensions of growth, retrenchment, and

¹⁹³ Betts, *Conflict after Cold War*, l.c. 518. Michael Sander, "Das Sinnbild zur Sicherung von Stabilität und Wandel", *Zeitschrift Führung und Organisation (zfo)*, Vol. 64, No. 1, January 1995, 35-42.

¹⁹⁴ Taylor and Neil, "Spinning on Dimes", l.c. 19.

¹⁹⁵ E.g. Porter's 5 P's, Life Cycle Model, Experience Curve Model, Boston Consulting Group Matrix.

corporate parenting can be useful. On the business strategic level, tools and strategies that focus on competition through cost savings can help to structure thinking in a hypercompetitive joint environment. The usefulness of functional level strategy tools depends on case-by-case evaluation. MOST-, PEST-, and SWOT- analysis are universal structuring tools for both civilian and military use. On the same level stakeholder analysis, the mission statement, the value chain analysis, and the conceptions to test corporate governance are important. They can initiate thoughtful intervention in group discussions or discourse. Research provides evidence of the civilian concept's basic usefulness for the military. The concept provides a useful structure and means for managerial decisions in the business realm of the German Army Staff. These means must be customized to selected military requirements stemming from the macro- and micro-organizational civil-military differences, and postmodern findings of change theory and leadership.

The Recommendation – a Strategic Management Design Model

Linking Strategic Management with Integrated Emerging Strategic Design

In order to bring the concept to a tangible result, the author proposes to merge the derivative strategic management concept with Integrated Emerging Strategic Design (IESD) based on de Czege's concept of the 'Learning Adaption Cycle'.¹⁹⁶ The author proposes the term "Strategic Management Design" (SMD) for this hybrid model. The design is an amalgamation of the best practices of the rational school of thought, and the system and complexity school of thought. SMD is cyclical in nature and must assure institutionalized, legitimized conflict and iterative learning by self-reflection. On the one hand, deductive strategic management would add

¹⁹⁶ De Czege, Unified Quest, l.c. 12. In the context of this paper, the term 'business strategic' replaces 'operational'. The segments read: Business Strategic Design Process, Business Strategic Planning Process, Business Strategy Preparation and Learning, Strategy Implementation and Learning.

structuring tools, processes, a business-typical language, and some conclusiveness due to its nexus to the *Führungsprozess*.¹⁹⁷ On the other hand, IESD could contribute with discourse-based, inductive reasoning that aims at collective problem framing free from presupposed solutions. The framing aims at gathering knowledge and boosts creativity in order to shape the next step in the *Transformation* process. Framing is the first step. It precedes planning, implementation and execution. SMD will build a solid and sustainable Army position, to assist the Chief of the Army in proactive decisions on the annual budget cycle. Concomitantly, steady review of the MOST setting realizes organizational self-reflection that leads to an Army Staff deuterio-learning cycle.

The author proposes to embed the strategic management model into each step of the learning-adaption cycle¹⁹⁸ (Appendix 10). As this paper does not seek normative solutions, a tentative definition of SMD follows.

“SMD is the German Army Staff’s self-initiated, intended, coordinated, and integrated approach to systemically review, redesign, and implement the Army’s mission, objectives, and major lines of development (MOST-factors). This design governs the optimal use of resources in order to assure future mission accomplishment. Based on the principle of consensus-building in cross-functional working groups and discourse boards that ensure broad participation and personal commitment, a holistic framework of proven managerial tools identifies strategic inflection points and deduces the Army’s respective strategic factors, its strengths, weaknesses, opportunities and threats (SWOT). Building on these SWOT-factors, SMD facilitates the design of lines of operation (LOO) and courses of action (COA) for *Transformation*, approval by joint and political authorities, and directs and controls *Transformation* strategy and campaign.”

¹⁹⁷ The German Decision Cycle.

¹⁹⁸ De Czege, Unified Quest, l.c. 11-20, 29. SAMS, *Executive Summary...*, l.c. 1, 2. Rival as a rational, Command as a rational, logistics as a rational, Effects, and functions.

The organizational interdependence of the services within the joint *Transformation* process and the Army's integration in this structure limits unilateral "Learning-Adaption-Cycles". Strategic and joint communication will be necessary prior to entering the "business strategic planning", and "business strategy preparation and learning process" to obtain senior military and political leader guidance.

Within the "business strategic design process", strategic management is applicable as a complete cycle (Appendix 10). Strategic management can structure and support the IESD discourses on "rival", "command", and "logistics as rational", be a method for consensual assessment of the relevance of the data available, and give the IESD process direction.¹⁹⁹ Development of subject-related questionnaires for the discourses is necessary. This design process is the main effort in the "learning-adaption cycle". Strategic management also serves to identify the need for change (inflection point), frames the *Transformation* problem, and deduces the strategic factors (performance and strategic appraisal, SWOT). Based on these factors, a master plan can be developed that provides for LOOs and COAs respectively: The LOOs are the Army's ideas how to react on the inflection point and the framed problem, whereas the COAs comprise concrete options for "strategies" and "tactics" of how to get political and joint approval (strategy formulation and implementation). In the case of non-approval, learning along the single- and double-loop occurs, by reviewing the preliminary design process (feedback). The essential outcome of this phase is a strategic communication approach for the Chief of the Army, which serves to "sell" the army's ideas internally and externally to the joint and political level. At this point, marketing strategies become relevant as they can support the Army Staff in the selection of communication channels and messages.

¹⁹⁹ IESD, derived from Systemic Operational Design, is structured in several discourses for problem framing. In the operational environment of military operations the discourses address the rival-, command-, and "logistical" system and serve to produce a comprehensive narrative as a basis for later planning.

After approval, the “business strategy planning process” commences.²⁰⁰ Depending on the nature of change, planning can take place on the joint level or in one of the Army Staff directorates. In the latter case, the strategic management model can support with procedures and ideas that address all levels of business strategy. The author recommends the concomitant application of the SMD tools because they widen the perspective for solution of ministerial level problems. Strategy formulation tools can facilitate the development of COA how to implement the next *Transformation* step. The step describes a definition of internal and external communication strategies and a plan for Concept Development and Experimentation (CD&E).

In case of army-related *Transformation* topics that reach down to subordinate levels, the “business strategy preparation and learning cycle” will regularly comprise CD&E events. The Army Staff directs the preparation of these events in close cooperation with the Army Office or Army Command, and monitors them during execution. SMD can ensure a cross-functional staff participation. In this segment of the cycle, the alignment occurs between concepts, capabilities, doctrine, and problem context. At this point, double-loop- and deuterio-learning take effect. This segment offers the opportunity to assess the validity of available concepts and doctrine, evaluate procedures for doctrinal change or as a mile marker on the *Transformation* road. An essential feedback loop will ask how the staff defines evaluation criteria vis-à-vis the already existent “balanced scorecard”. Assessment of side effects of the envisaged change is possible and their influences on the Army MOST-setting and the dimensions of the “Magic Triangle”. The strategic management concept offers a spectrum of ways for problem solving and potential approaches such as how to organize (e.g. virtual networks²⁰¹), how to communicate (stakeholder analysis),

²⁰⁰ De Czege, Unified Quest, l.c. 17.

²⁰¹ The idea behind a virtual network is a small headquarters, which acts as a broker for the development, production, and marketing of products and services among a few own functions and independent external enterprises. The virtual network is extremely flexible due to minimized hierarchies, the innovation potential is high, the overhead is small, and the capability to learn is extraordinary because it is possible to “reshuffle” the value-chain links in seconds. The U.S. Army Warfighters Forum contains

and how to prioritize (e.g. value chain analysis). The emphasis will be tools of the strategy formulation and implementation step of the concept.

Findings apply to the “business strategy implementation and learning process”. However at this point, strategic management appraisal tools regain importance because they can initiate and announce the approaches to a new problem in the logic of the overall cycle or the improvement of the current results/solutions. This step is essential for the momentum of the whole *Transformation* process because it links the present successfully implemented change to the next milestone in the overall Army *Transformation*.

SMD Implementation

The internal aim of SMD is to overcome mental blocks within the complex internal and fast changing external environment of the Army Staff.²⁰² Five “hard” questions to address are as follow: *Where* are we now (vs. Where do we hope to be)? *Where* do we want to go (Direction, Vision)? *How* do we get there? *Are* we doing the things that we do right (Usefulness of the current approach)? *Are* we doing the right things (Future capabilities, Next *Transformation* step)?²⁰³

In the Army Staff, two different types of SMD should be initiated: a “Routine SMD” (RSMD) to detect strategic inflections points early by steadily scanning the environment, to reframe the “narratives” on which the present *Transformation* activities build, and to define

aspects of such a virtual ‘service’ network (Author’s assessment). Christopher Barnatt, “Office Space, Cyberspace and Virtual Organization”, *Journal of General Management*, Vol. 20, No. 4, Summer 1995, 78-91, 80. Michael Reiß, “Virtuelle Organisation auf dem Prüfstand“, *VDI-Z*, No. 1/2, Jan/Feb 1997, 24-27, 24, 25, 27.

²⁰² The requirement from the 1980s and 1990s is about “all-encompassing thinking on as many as possible levels within the complex military system to survive in a discontinuous environment”. Hans Ulrich, “Plädoyer für ein ganzheitliches Denken. Die Zusammenarbeit zwischen Managementpraxis und Managementwissen als aktuelle Forderung”, *Beiträge zur Sicherheitsökonomik, IVW*, Heft 6, St. Gallen, 1985. Bleicher, “Streitkräfte aus der Sicht der Managementlehre”, Hahn, *Der Soldat als Ökonom*, l.c. 18.

²⁰³ In terms of the learning organization, the questions four and five cover the ‘single-, and double-loop’ of learning. Combined with the questions one to three, the ‘Deuterio-loop’ is closed.

planning and budget needs concomitantly to the overall budget process.²⁰⁴ Frequency depends on the pressure for change. For instance, in the training environment of enterprises, literature proposes quarterly periods.²⁰⁵ Additionally, an incident-driven “Event-based SMD” (ESMD) will be necessary, which will initiate based on internal or external events, incidents, or new knowledge within the Army Staff.

The Chief of the Army accounts for SMD as whole. He supervises all SMD processes, and he can initiate ESMD. Other leaders also have authority to initiate ESMD in order to prevent exclusive top-down processes. This can prevent that functional branches in the staff hierarchy exploit the channeled information flow to their own favor by not providing change relevant information to the Army Chief. Therefore, the Chief of Staff Army Staff as well as the Army Staff directors and branch chiefs should have this authority. Moreover, the author proposes an “X+1”-rule. This rule would give each civilian and military staff member from the “assistant branch chief” level the authority to submit proposals for a SMD process to both the branch chief and director levels.²⁰⁶ This would be an effective means to dodge Ansoff’s functional “myopia” and a feature of bureaucracies: strategizing for personal ends on the immediate superior staff level. The Army Staff would be able to gather the overall knowledge.

On order of the Chief of the Army, the Chief of Directorate III (1* level) Plans & Policy, Leadership, Conception, and Doctrine should be made the general SMD custodian of the Army Staff. Due to his directorate’s functional proximity to the *Transformation* business, this approach could facilitate staff-wide SMD acceptance and avoid restructuring the other directorates. In the Army Staff, the 1* level should principally ‘chair’ SMD events because a permanent command

²⁰⁴ Motto: “Be quick to win in the hypercompetition!”

²⁰⁵ Christian H. Fravi, “Ausbildung als Erfolgsfaktor”, *IO Management Zeitschrift*, Vol. 64, No. 1/2, 1995, 93-95, 94.

²⁰⁶ Assistant Branch Chief: Lieutenant Colonel (General Staff)

group presence will not be necessary during the preparation and implementation segments of the “Learning-Adaption-Cycle”.

A task culture with optimized communication flows is mandatory to reach the learning organization goal. While not touching the general hierarchical structure, the author proposes to organize SMD communication flexibly as “onion-like” (Appendix 11). Around the command group, the layers for RSMD should consider the Chief of the Army, the Chief of Army Staff, and Director III, the directorates, the Army Command, and TRADOC. The outer layers are the operational Army, joint, industrial, political realm, and external advisors/consultants. Each change problem, that is, each SMD process will have its own shaped layers. The layers define the respective SMD cosmos in terms of the operational factors forces, space, and time. The SMD process begins with the command group’s decision on these factors, which should always include the formation of a core SMD team. To ensure external commitment for a respective Army SMD process, consensual agreement should be initiated between “Chief of the Army” and his external counterparts. To ensure broad acceptance of the respective superiors of the core team members, the respective team develops its own SOP, which require the approval of the command group and the external superiors’.²⁰⁷ During the process, each group member can initiate the participation of further players from the different layers. In doing so, the composition of the transition/SMD team can be managed flexibly on a case-by-case basis. The same process applies for the information flows. The result is a process-based SMD organization with fluid network structures.

Core SMD team meetings serve to direct and coordinate the process, to review and to document results along the “Learning-Adaption-Cycle”. The strategic design segment, parts of

²⁰⁷ Standing Operating Procedures (SOP) could be: emphasis on mission accomplishment rather than pride of ownership; each group member is an advocate of the group result; robust information sharing procedures; and avoidance of insular stovepipes; the group as the forum of information exchange; each session ends with a mutually agreed report to create consistency; only one representative per function. A paper on the CENTCOM Joint Interagency Coordination Group (JIACG) provides an example for a cross-functional working group. Matthew F. Bogdanos, “Joint Interagency Cooperation: The first step”, *Joint Force Quarterly*, Vol. 37.

the strategic planning-, and the implementation segment will be dominated by discourse meetings which will follow the rules of IESD. Concomitantly and especially during the phases implementation and preparation, workshops will run the process. To ensure double-loop-and deuterio-learning a rigid quality regime should determine the SMD meetings.²⁰⁸ Finally, one of the branches of Directorate III should incorporate the “full-time core” of the staff SMD team and the “think tank” for RSMD. Supported by the command group, this team could work as a mediator between the Army Staff directorates and the external environment. The Core SMD team is the change agent within the Army Staff.

Flanking Measures

The will to anchor SMD in the Army Staff requires flanking measures. In order to open the given structures and to realize above-mentioned outside-in approach, students from the *Bundeswehr* universities and academic reserve personnel should reinforce the core team periodically. This would improve the enrichment of the Army Staff’s knowledge base, and would enlarge the staff’s capacity for benchmarking and external research.

Closely connected to this issue, are virtual networks based on internet forums and virtual communities, which could help to identify strategic inflection points at an early stage. The U.S. Army Warfighters’ Forum reflects such an option that enhances the adaptability of the U.S. Army significantly. Based on available information technology (in the German Armed Forces: *Intranet Bw*) the approach comprises a number of web based services and face-to-face based forums that create a community of purpose where just-in-time transfer of best practices into doctrine occurs –

²⁰⁸ Each meeting should end with a number of questions, which require consensual answers: With regard to the results: was the time spent worthwhile? If not, Why? Is there satisfaction concerning the way the participants communicated? Did the participants associate open with each other, or did political play determine the session? Were the participants asked their opinion or did the meeting serve the chairperson to publish his opinion/to order?

a precondition for a learning organization²⁰⁹ Single- and Double-Loop learning is the natural consequence. The author strongly recommends such a medium for the German Army because it could effectively link the operational army with the business realm, and could be a basis for coordinated and thoughtful intervention along the corner points of the overall German army's "Magic Triangle".

More than the SMD approach, IESD requires training. Strategic management and the theories of the learning organization should be part of professional military education, and the training schemes of all senior officers. Compulsory seminars at the *Führungsakademie* in the curricula of the staff- and general staff officer training courses would provide a significant contribution. A capstone program, similar to Advanced Operational Art Studies Fellowship (AOASF) that the U.S. Army School for Advanced Military Studies offers (SAMS), could prepare a selected number of general-staff trained officers for their responsibility as military change agents in future *Army Transformation*.

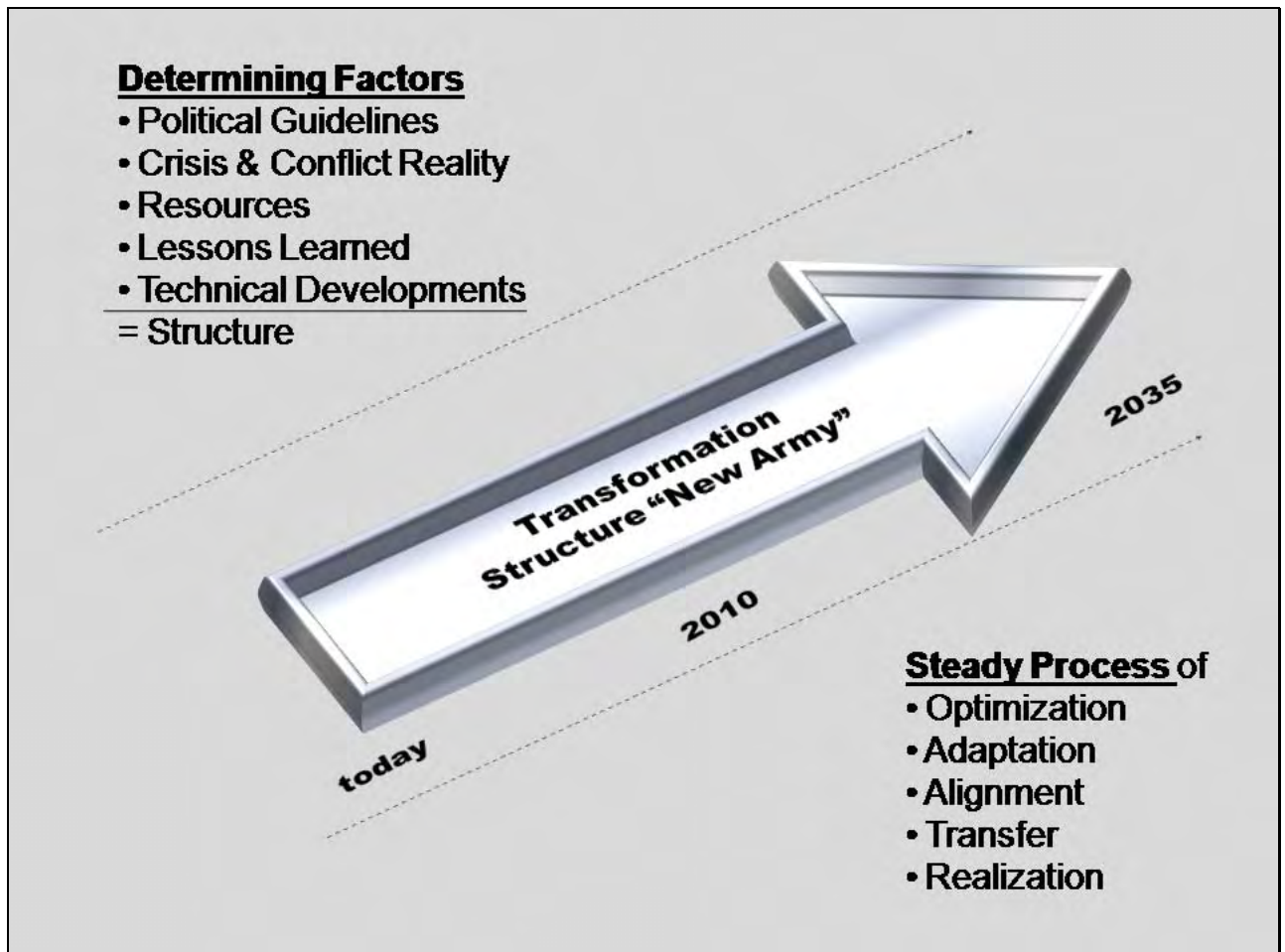
Finally, people initiate and make change happen. The most important but also the most difficult undertaking in all military bureaucracies will be to staff the military key positions with "creative terriers", that is, "red teams" in the business realm of the Army with the courage and skill to provide momentum and resolve to *Transformation*.

²⁰⁹ U.S. FORSCOM Briefing "BCT Warfighter's Forum (WfF) Overview", Handout, 04 Dec 2007.

Conclusion

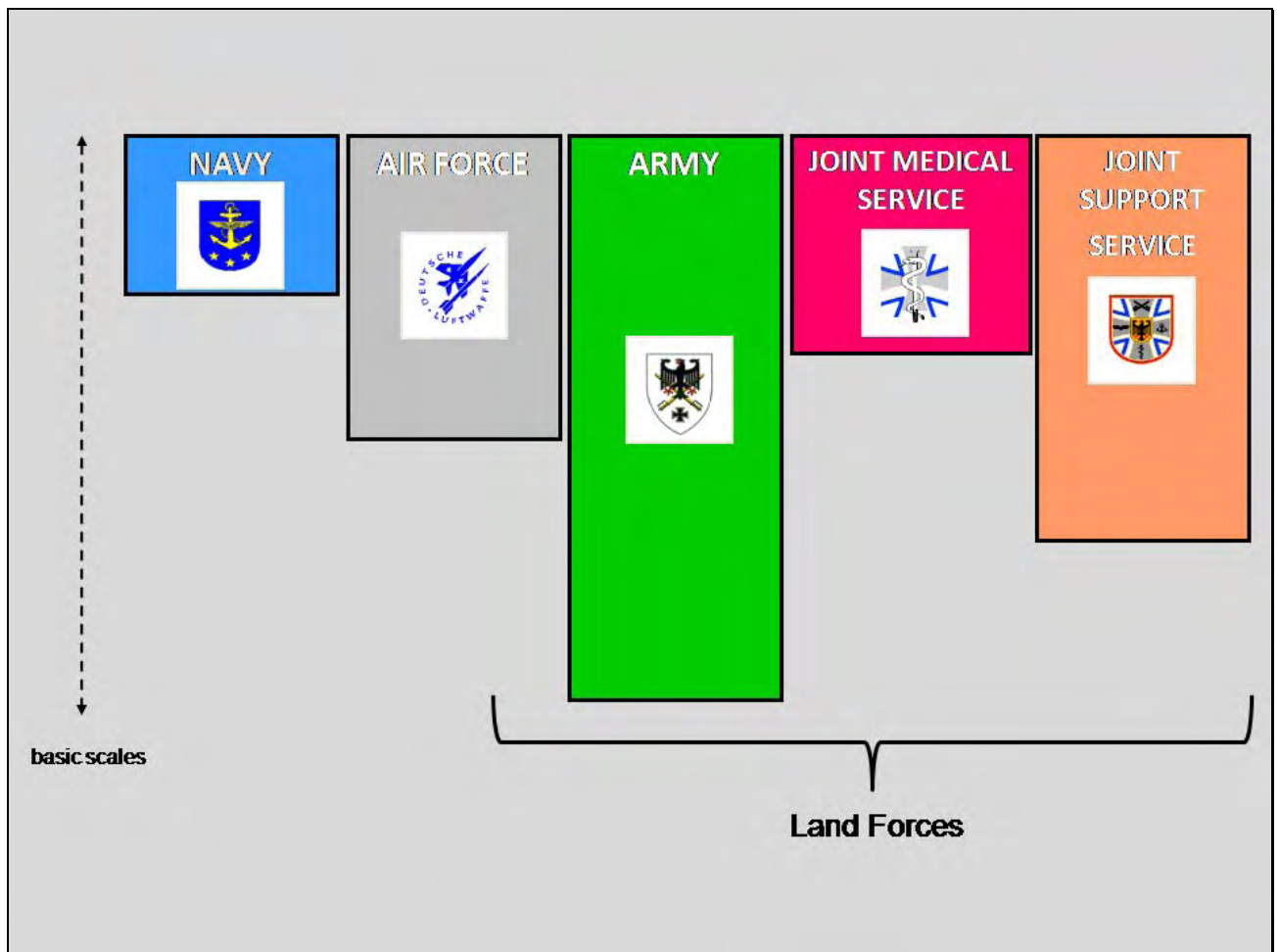
Similar to many Western armies, the German Army will face a critical period in its *Transformation* after implementation of the current structural reform “New Army” in 2010. Political and military directives charter the Army to adopt and create capabilities for mission success in the contemporary operational environment and mid-term future. The Army acknowledges this task as essential. Strategic Management Design (SMD) can direct effective conduct of *Army Transformation*. Extracting best practices from successful profit-oriented civilian models and merging key principles with an army mission-oriented readiness model trumpets the advent of an improved decision process for the German ministerial Army Staff. More than internal guidance within the Army Staff, SMD embraces the “*idealtypik*” of Germany’s political, ministerial, economic, and social culture and the significant challenge of building German national consensus for *Army Transformation*. Complex conditions and uncertainty are, and will continue to be, the norm in the foreseeable future. Yet, the German Army can reflect on grand achievements in military reform during the 19th century when then security-politico environment dictated transformational adaptation and innovation. German military strategists recognized the compelling need for Army excellence. In the future, the Army must rally a similar mutual commitment of nation and armed forces to excellence among politicians, military leaders, and the German citizenry. Only then will the military instrument be capable of German national defense and expeditionary security with regional EU neighbors and NATO partners for missions abroad. The world of the 21st century requires a strategy to ensure that transformation readiness. The SMD-model provides the ways and means for the German Army Staff to propel its vision and mission, achieve active consensus, be able to “learn and adapt” effectively, “shape and anticipate” proactively, and implement *Transformation* sustainably.

APPENDIX 1: German Armed Forces *Transformation*



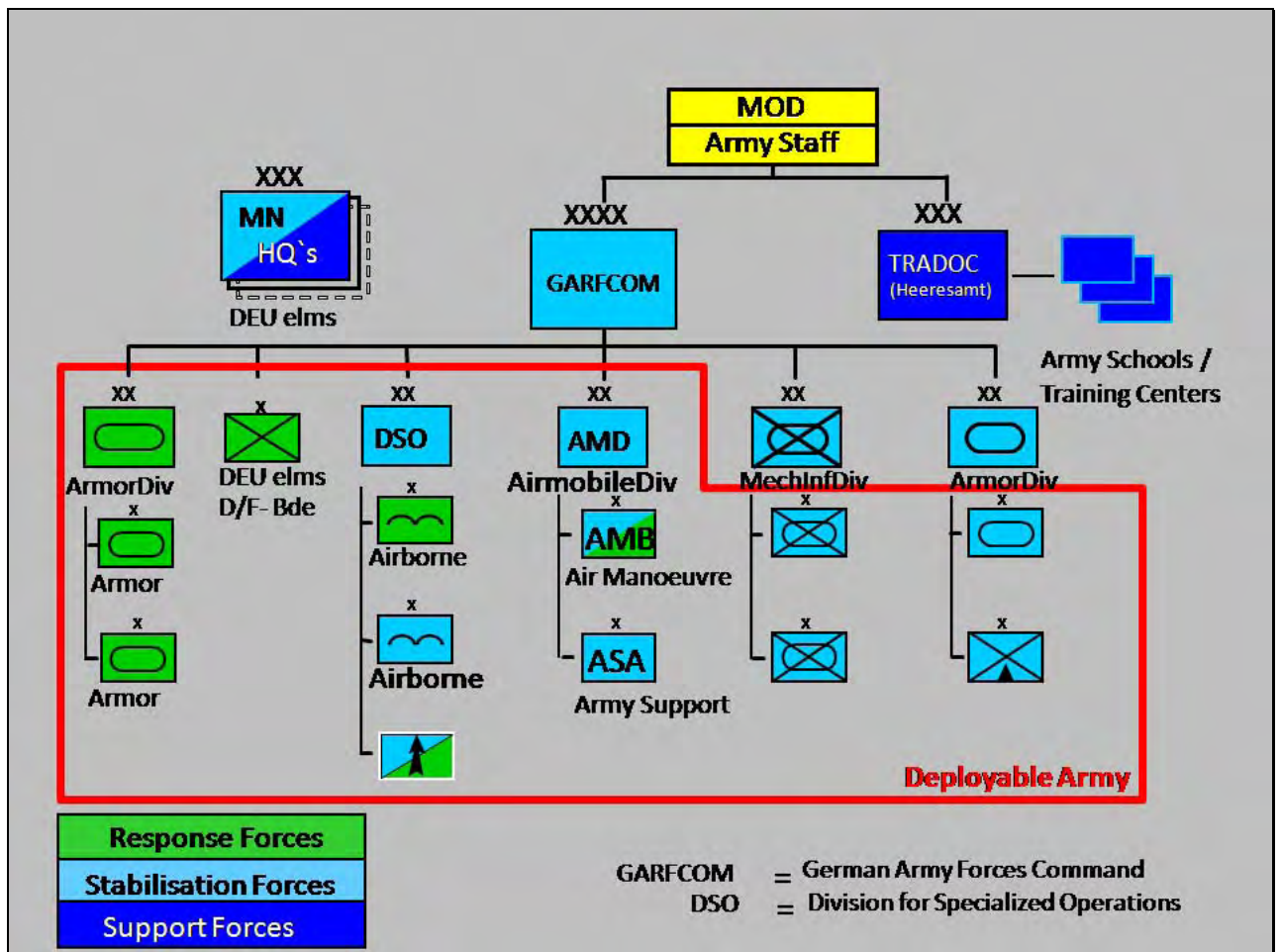
Author's graphic design.

APPENDIX 2: The “Corporate” *Bundeswehr*



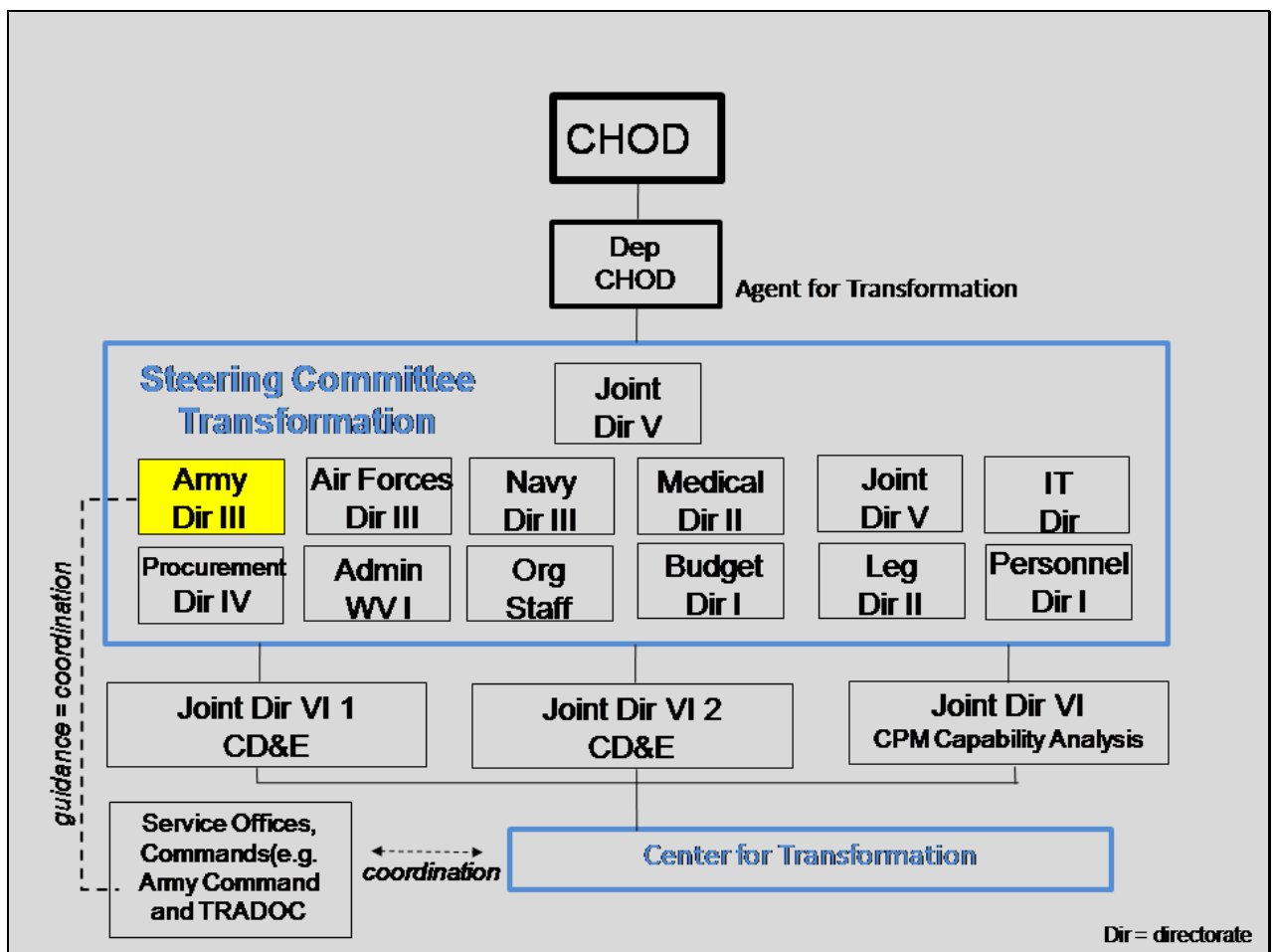
Graphic design by the author.

APPENDIX 3: The “New Army”



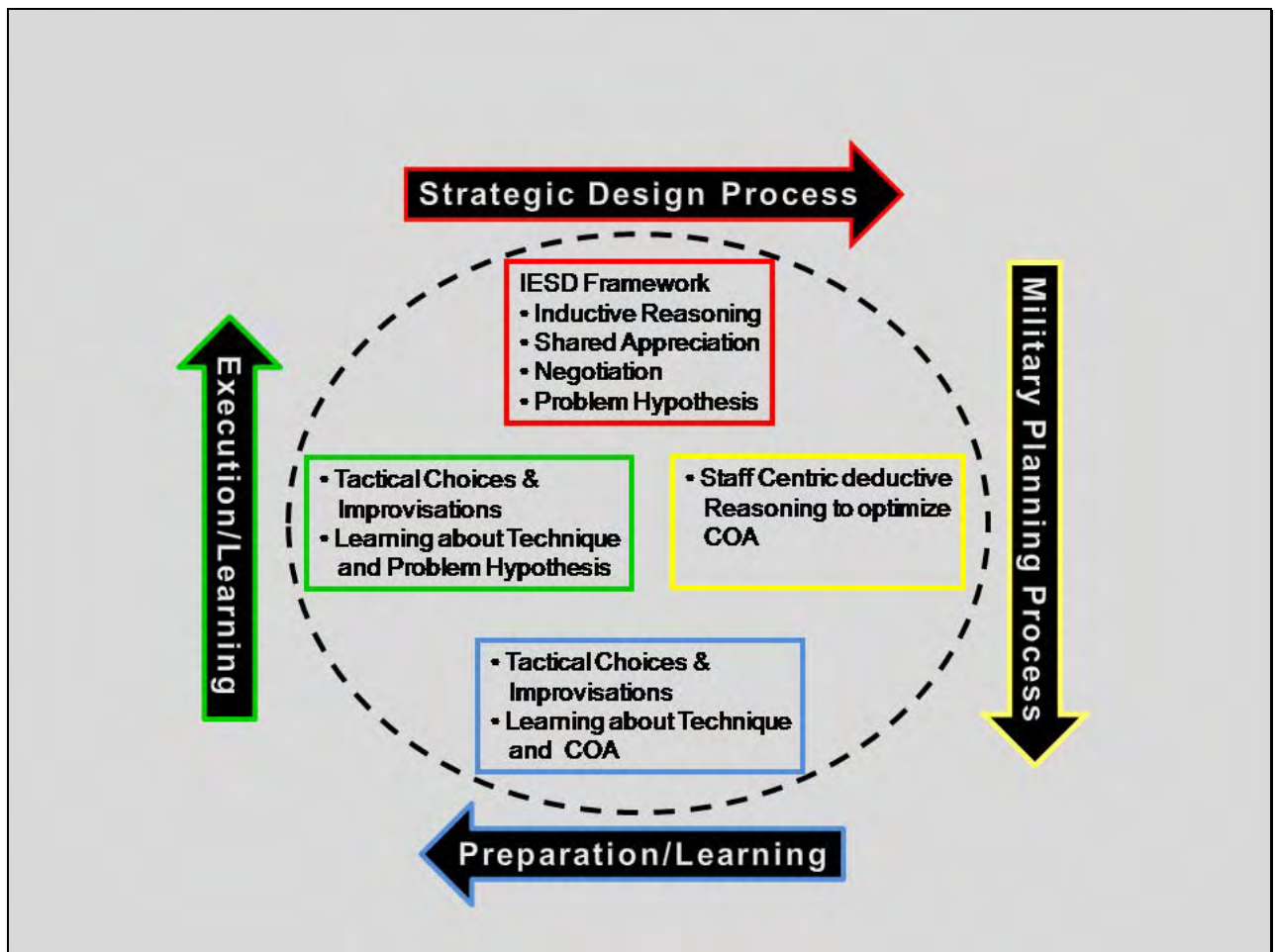
Graphic design by the author.

APPENDIX 4: The Organization of *Transformation*



Graphic design by the author.

APPENDIX 5: The “Learning-Adaption Cycle”

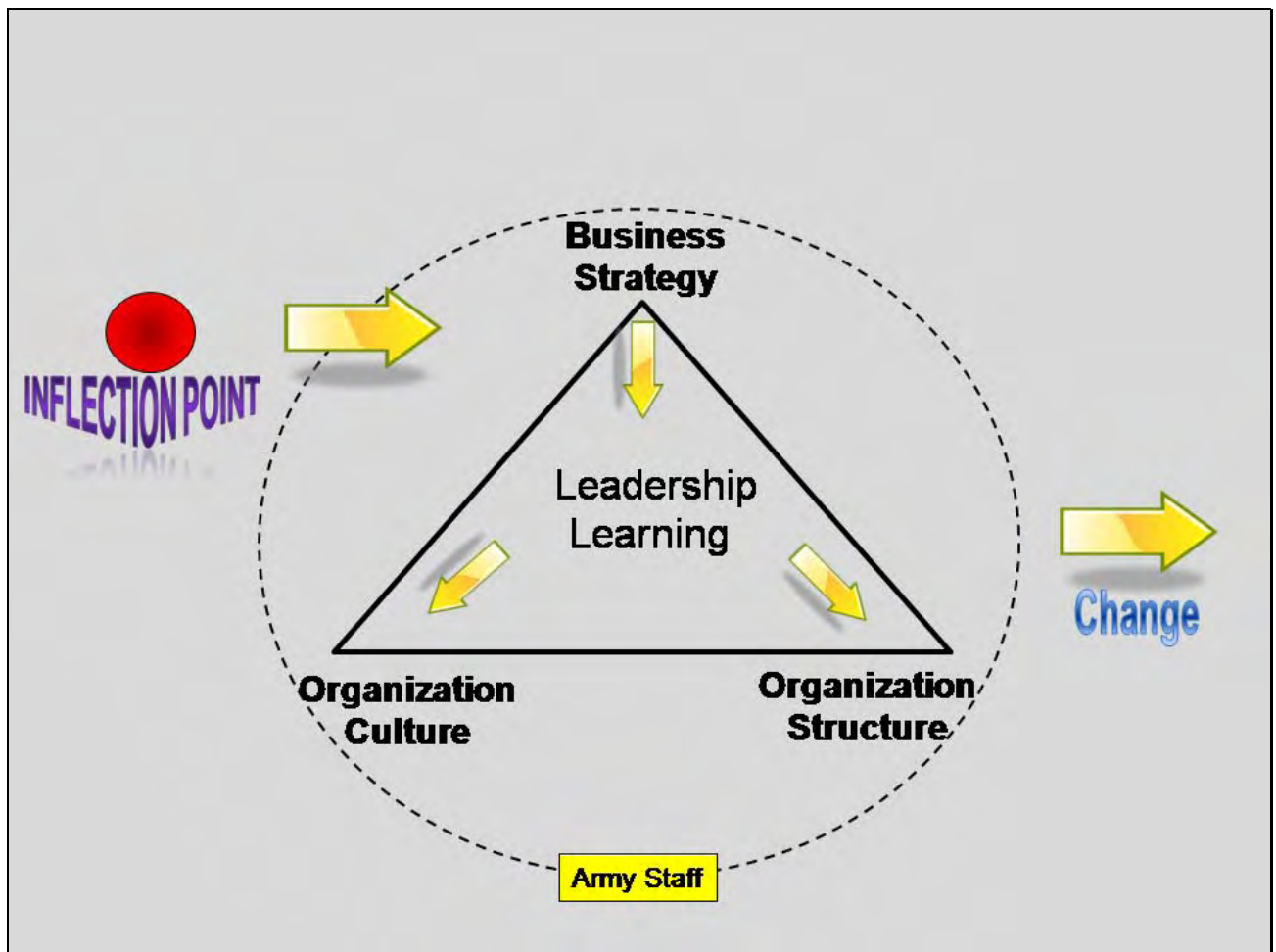


Graphic design by the author.

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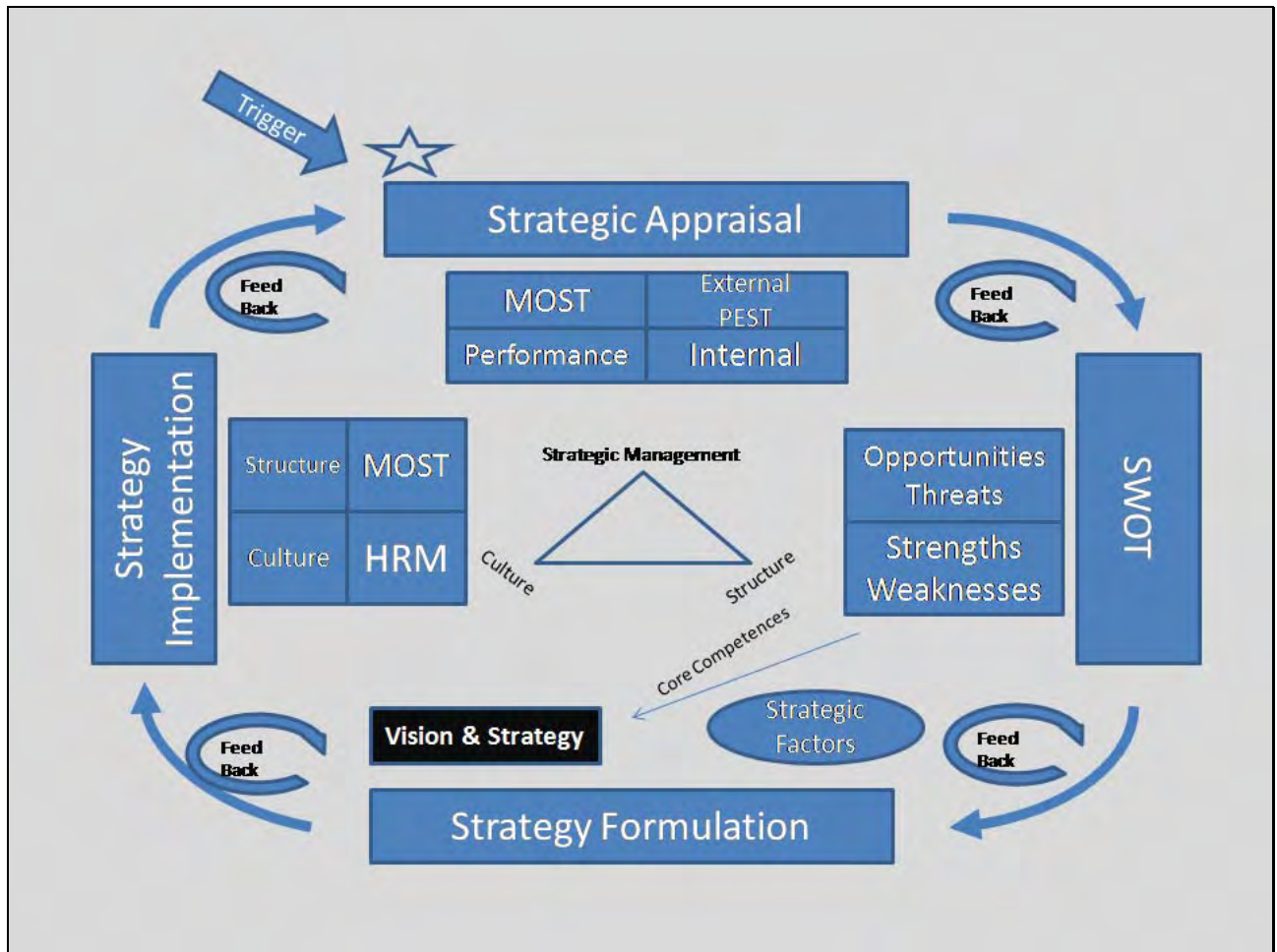
Huba Wass De Czege, “Unified Quest 07 Postscript 2: On Inserting Systemic Operational Design (SOD) Derived Ideas Into Army Doctrine”, in Booz/Allen/Hamilton, Integrated Emerging Strategic Design, Participant Pre-Readings. Prepared for The School for Advanced Military Studies (SAMS) at the Combined Arms Center (CAC) and Fort Leavenworth, Kansas, June 2007, 1-30.

APPENDIX 6: The “Magic Triangle” of Strategic Management



Graphic design by the author.

APPENDIX 7: A modified Business Strategic Management Model



Graphic design by the author.

(1) Performance Appraisal comprises the strategy makers' consent about the budgetary status quo and the current MOST factors –mission, objectives, strategy, and tactics (policies). The significance of the financial status quo is self-explanatory since a new strategy may have financial implications. The “mission”, in the profit sector a synonym for the vision, and in the age

of globalization closely linked with the brand, reflects positive pictures of the future in a non-normative way, and gives the workforce emotional guidance.²¹⁰ Derived from the mission, the objectives are measurable parameters of the dimensions forces, space, and time. There are market- and the non-market strategies.²¹¹ After appraisal of the current strategy and the policies that translate it consensus about the gap between the MOST-factors and reality should exist. Building consensus on the lowest common denominator or a reductionist adaptation of expectations to reality would be a mistake in itself. The evaluation of organizational performance ends with a statement whether the current MOST factors reflect and cope with the international operations of the organization.

The importance of leadership for the symbolic value of a strategy is indisputable.²¹² Selecting people based on a leadership style that matches with the organization's challenges, is mandatory in enterprises but it has only limited importance in the military realm. This is because personnel selection in bureaucracies underlies different rules. Aspects like "value-based"²¹³ and strategic leadership do not count much. A military strategic management must bring the leader "on board", and must give him broad backing for the proposals he submits to the political, joint, or subordinate level.

²¹⁰ Wolfgang Momberger, "Die Kraft der Marke", *Capital*, No. 9, 1998, 104. Bertels, "Das Organisationsmodell der Zukunft", l.c. 15.

²¹¹ Non-economic objectives within the military context are timelines for the structure "New Army". Economic objectives can be cost-reductions per time or increases of investments as a percentage of the Army budget per fiscal year.

²¹² Leavy, "Symbol and Substance in Strategic Leadership", l.c. 41.

²¹³ Value-based leadership in the age of globalization also reflects the ability to re-interpret the values of the organization in adaptation to the requirements of the environment, and to visualize them in order to empower the organization for a bottom-up change of culture. Strategic leadership reflects on the one hand the will, the courage, and the ability to take consistent decisions and to pursue them, on the other hand the political wisdom to pave the way up- and downwards to implement these decisions. Claes Trollestad, "In Search for the existential Leader", *MBA-The Magazine for Business Masters*, Vol. 1, No. 5, April 1998, 5-9, 8.

(2) External Appraisal considers those factors that are not under the organization's control. It serves to identify opportunities and threats (OT). The PEST-analysis is a first step. Executed with courage and consistency, the PEST analysis serves to eliminate Ansoff's "strategic myopia"²¹⁴ by making negative or positive external trends obvious. It creates a basis for acceptance of potential inflection points. The challenge of the PEST analysis is to manage the plethora of information. Emerging Strategic Design and the discourse about the rival as a rational could be a method for mutual assessment of the data available. Industry analysis and competitive environment analysis try to position enterprises among their competitors. Literature offers a huge number of analysis and management tools. The most known is "Porters's 5-Forces-Model, the "life cycle model", the "experience curve" and portfolio planning tools like the "Boston Consulting Group" matrix (BCG Box).²¹⁵ The analysis of interest groups, the stakeholders, is part of the external appraisal too. Shown in the PEST analysis, public opinion, image, and acceptance is for enterprises and for non-profit organizations a key factor for success under competition.²¹⁶

(3) Internal Appraisal seeks consensus about critical strengths and weaknesses (SW) that are exploitable or must be neutralized for change. This step scans like a "litmus test" whether the internal environment offers preconditions for a recognized change. Internal appraisal means analysis of resources, structure, and culture.²¹⁷ Following the logic of the "magic triangle",

²¹⁴ Igor Ansoff, "Strategic Management in a Historical Perspective", *International Review of Strategic Management*, Vol. 2, Nr. 1, 1991, D. E. Hussey Wiley (ed.), Chichester (England), 61.

²¹⁵ <http://www.quickmba.com/strategy/porter.shtml>. (accessed 23 November 2007). <http://www.quickmba.com/strategy/matrix/bcg/>. (23 November 2007). Life-cycle model: Tool for analysis and development, developed by Arthur Little, that aims at deducing strategic option depending on a product's or an organization's position on its life cycle curve. The phases are "growth", "maturity", "decline", "turnaround". Experience curve, portfolio analysis: A. C. Hax and N. S. Maljuf, *Strategic Management; An integrated Perspective*, (London, New York: Prentice Hall, 1984), 67.

²¹⁶ Petra Sterndecker and Peter Wollsching-Strobel, "Der Wettbewerbsvorteil Akzeptanz", *Gablers Magazin*, No. 5, 1996, 16-19, 16.

²¹⁷ Resource analysis deals with marketing (product-price mix, promotion, placement), and cash- and capital structure (research and development, investment, personnel, production) as pre-condition to finance change. An analysis tool is Porter's Value-Chain-Analysis. Et.al: R.M. Grant, *Contemporary*

structure and culture are interdependent. While structural appraisal is self-explanatory, cultural appraisal evaluates the conclusiveness of the MOST-results, culture, and the change problem. Ultimately, culture itself must be subject to discussion. Strong cultures can support or hamper directed change, they can give sense or only orientate.²¹⁸ Scientific discussion often addresses the necessity of value-based management that is about “transformational” versus “transactional” leadership.²¹⁹

(4) Summary of Strategic Factors (SWOT summary) defines those issues that are the basis for a change.²²⁰ In the military realm, Lines of Operation (LLOs) emerge.

(5) Strategic Choice is a creative process that consists of the generation of options, their evaluation, and selection. Strategic choice should result of debate. Selection should not occur by “application” of history and by taking previous successes as a decision criterion.²²¹ Suitability

Strategy Analysis, (Blackwell, 1991). Idem, “The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation”, *California Management Review*, Spring 1991, 315-324, 316.

<http://www.quickmba.com/strategy/value-chain/>. (24 November 2007).

²¹⁸ Michael Sander, “Das Sinnbild zur Sicherung von Stabilität und Wandel”, *Zeitschrift Führung und Organisation (zfo)*, Vol. 64, No. 1, Januar 1995, 35-42, 36. Wheelen and Hunger, *Strategic Management*, l.c. 90. Heifetz, *Leadership*, l.c. 61-66, 73-76.

²¹⁹ The transformational leader creates an atmosphere of openness and preparedness for debate based on minimized consensus-, consistency-, and satisfaction requirements – pre-condition for the learning organization. He formulates a vision of his own or derives a vision from the up-stream information flow. He always exemplifies this vision based on his action. A transactional leader preserves the status quo by pretending loyalty and uses authority for top-down directing and protection of his own position.

²²⁰ Like the other management tools, there is controversial discussion on the SWOT-summary in literature. As a model, the SWOT simplifies reality and reduces complexity by establishing order through categorization. However, the requirement to create an overall picture through hierarchical levels makes the model a medium for result-oriented structuring of discourses and debates. This applies to the MOST and PEST tool too. It should be mutual understanding that decisions should not be based on one model and that usefulness is subject to case-by-case evaluation. <http://www.themanager.org/Models/SWOT.htm>. (accessed 24 November 2007).

²²¹ Clayton M. Christensen, “Making Strategy Learning by Doing”, *Harvard Business Review*, November/ December 1997, 141-156, 142.

and feasibility aspects, determined by (non-)quantifiable factors, risk taking potential of deciders, hidden agendas, external pressures, and culture will stir the selection process.²²²

(6) Implementation translates change into action by the building blocks “procedures” (structure), “budgets” (resources), and “programs” (policies). The nexus of bargaining and judgment of reality determines implementation effort. Literature equally praises the principles “structure follows strategy” and “strategy follows structure”.²²³ However, structure is a function of organization size. For a complex organization, a centralized hierarchy is the most useful structure. Hence, the number of strategic choices that impact on structure is limited in the German Armed forces.²²⁴ Moreover, the *Wehrsystem*, a result of the civil-military strategy, and transparency vis-à-vis the taxpayer confine free structural decision-making.²²⁵

(7) Control and Evaluation is necessary to ensure a closed double- and deuterio-loop. Tools that control output and behavior are useful. Balanced scorecard and stakeholder analysis belong to the first category. The ISO 9000 certification and its derivatives belong to the second category. Benchmarking combines both categories.²²⁶

²²² In case of a mismatch of selected strategic options and culture, there are four courses of action: (1) ignoring culture (non-compliance to the “magic triangle”: high danger of failing). (2) Changing the option and adaptation to the culture (non-compliance to the power of the environment: no change, high danger of failing). (3) Maneuvering around the culture and adapting the implementation to the culture (reduced sustainability of the strategy, change not effective). (4) Changing the culture (long-term process, realization of a learning organization is possible due to deuterio-learning).

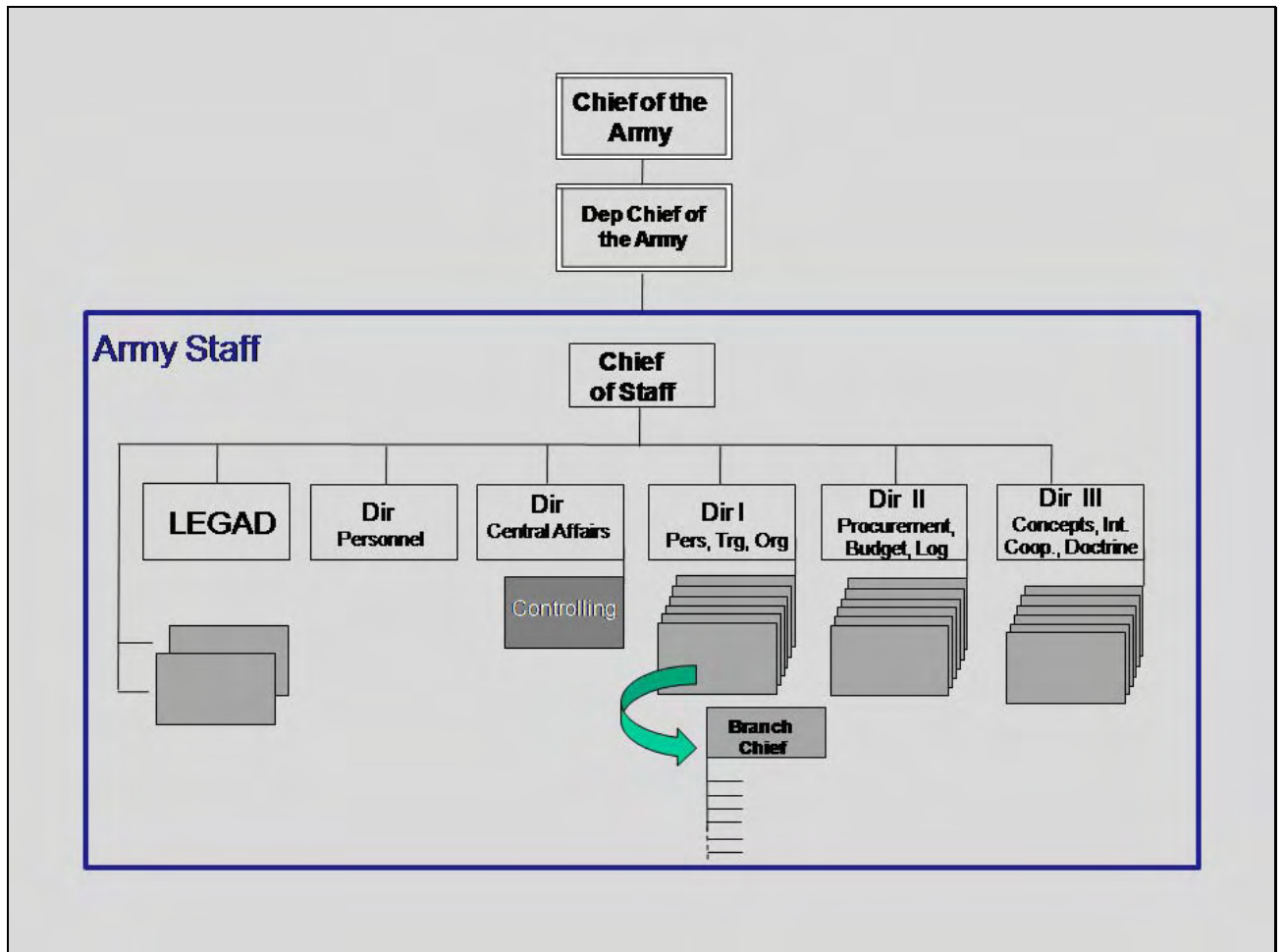
²²³ A. D. Chandler, *Strategy and Structure*, (Cambridge: MIT Press, 1962). M. Ollinger, “The Limits of Growth of a Multidivisional Firm: A Case Study of the U.S. Oil Industry from 1930-1990”, *Strategic Management Journal*, September 1994, 503-520, 510.

²²⁴ Carnall, *Managing Change*, l.c. 57. E. Jaques, “The Praise of Hierarchy”, *HBR*, booklet 1 and 2, Vol. 68, 1999, 127-133, 128.

²²⁵ *Wehrsystem*: Conscript or all-volunteer armed forces, service structure or unified armed forces.

²²⁶ R. E. Freeman, *Strategic Management: A Stakeholder Approach*, (Boston: Ballinger Publishing Company, 1984), 179. International Standards Organization Geneva, Jakob Limacher, “Qualitätsmanagement als strategische Führung: Die 2Q-Methode”, *IO Management Zeitschrift*, Vol. 64, No 7/8, 1995, 44-47. Manfred Bachtaler and Gregor Arlt, “Nutzbringendes Qualitätsmanagement” NQM & Zertifizierungskosten”, *Technische Mitteilungen*, Vol. 89, No. 4, 1996, 175-183. Karlheinz Braun and Christian Lawrence, “Von der Vision über die Ziele zum Benchmarking“, *Zeitschrift für Führung und Organisation*, Vol. 66, No. 1, January 1997, 16-20, 17.

APPENDIX 8: The Army Staff Structure



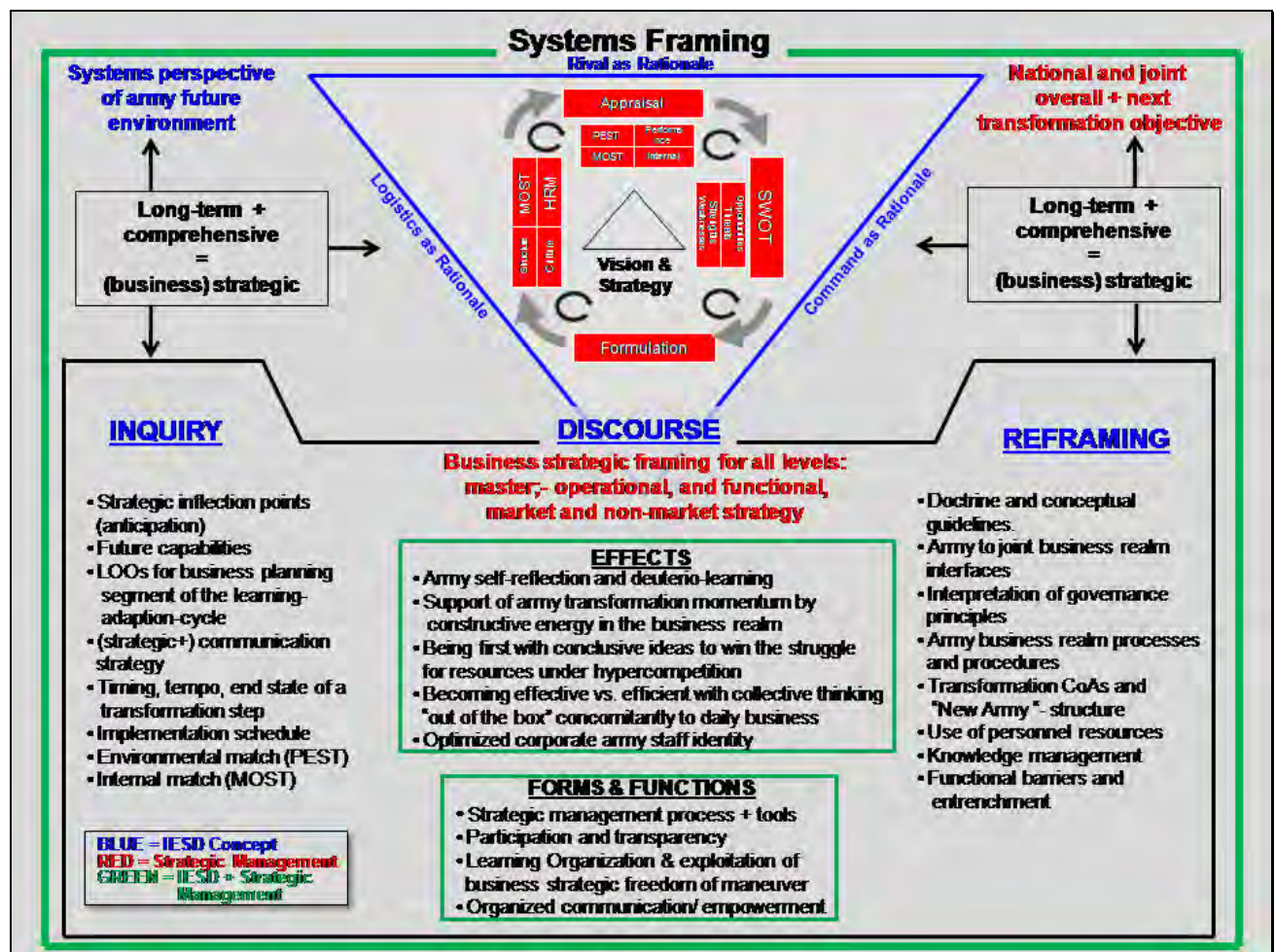
Graphic design by the author.

APPENDIX 9: Strategic Management Requirements in the Army Staff

- Recognition of macro-organizational limitations but offer of alternative forms of communication. Compliance with given structures and processes while overcoming functional barriers.
- Establishment of supervised conflict to ensure identification of strategic inflection points, and early generation and implementation of ideas along the corners of the magic triangle. Establishment of a forum that offers a holding environment under uncertainty where free flow of thought beyond functional partiality is possible.
- Creation of Army Staff internal openness and openness to the external military and societal environment by overcoming structural and procedural limitations.
- Improvement of communication between the military and the political level, and empowering the Chief of the Army with broad army consensus by making him part of problem framing and creativity mechanisms.
- Provision of tools for design and analysis for different sets of problems.
- Ensuring broad participation of all staff members and building a Army Staff knowledge base as precondition for a learning and self-reflexive organization (top-down, middle-up, bottom-up).

APPENDIX 10: A Strategic Management Design Model

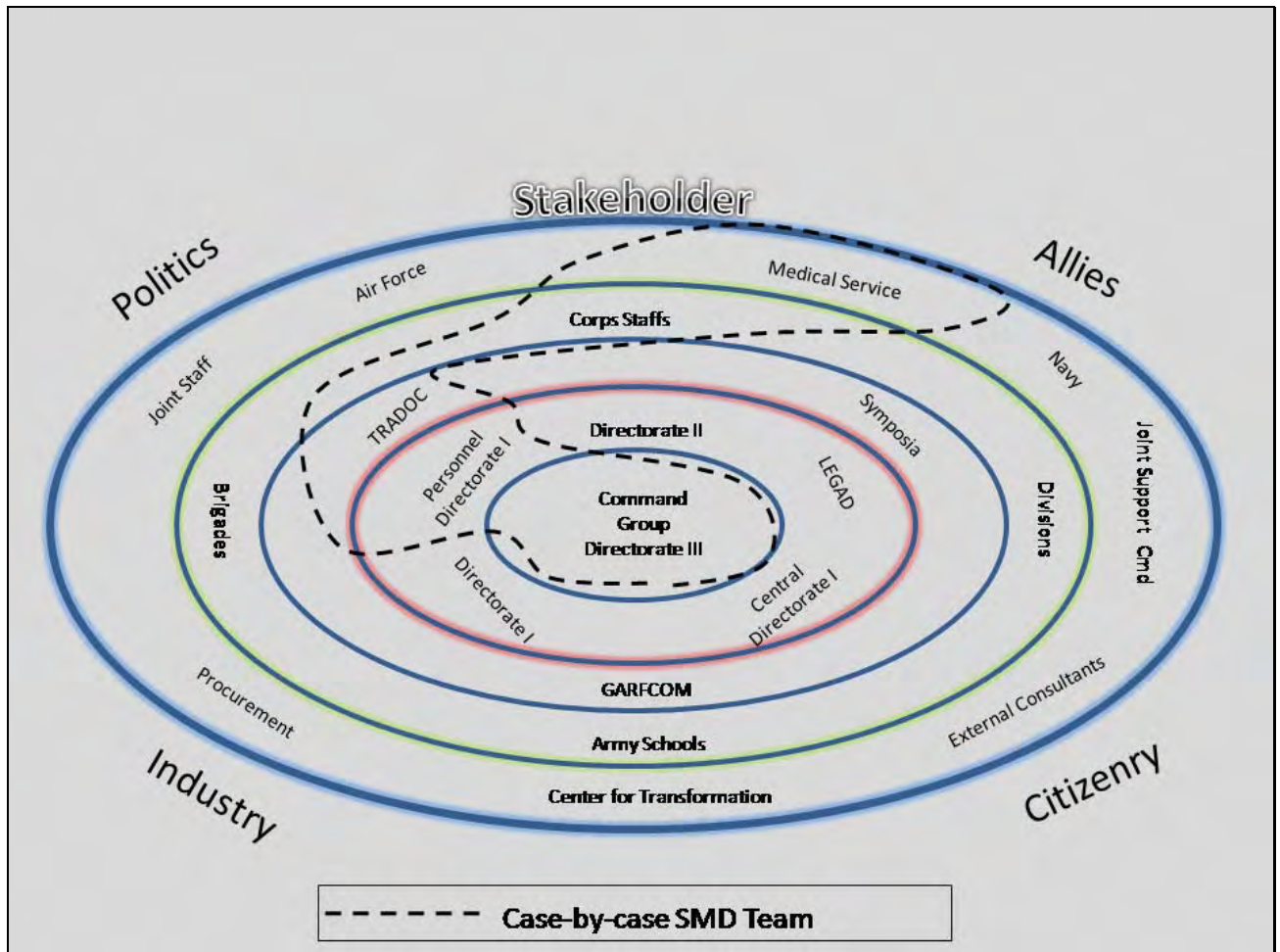
Business Strategic Design Process (IESD and Strategic Management)



Graphic design by the School for Advanced Military Studies, and the author.



APPENDIX 11: The Strategic Management Design “Cosmos”



Graphic Design by the author.

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